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RECENT INDUSTRIAL PROBLEMS

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RECENT INDUSTRIAL PROBLEMS

BY

Prof. **UMESHWAR PRASAD VARMA**, M. A. (COM.)

Head of the Department of Commerce,

✓ *R. D. & D. J. College, Monghyr.*

Author of

Business Machinery & Office Organisation.

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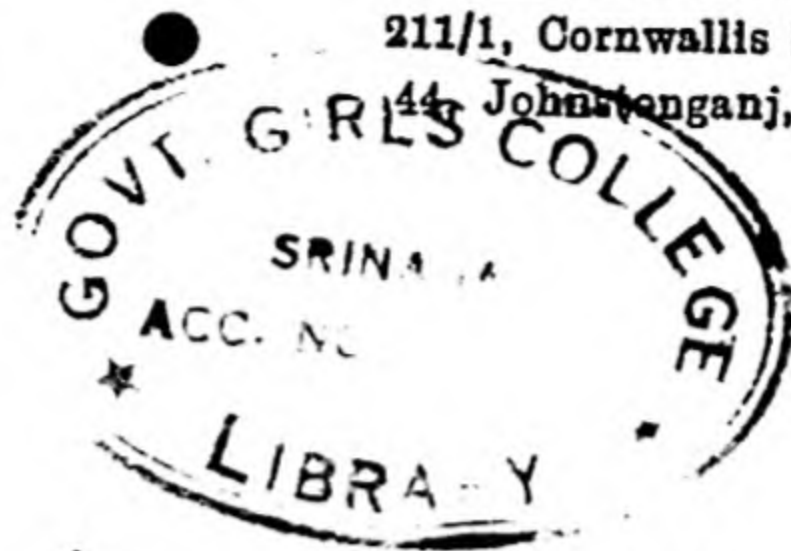


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To
PRAKASH

*You may break the rose—distilled vase if you will ;
But the scent of the rose will hang round still.*

PREFACE

On Industry depends the immediate and ultimate future of any country. Governments may propose or opposition parties dispose ; Finance ministers, bankers and speculators may juggle with figures or fancies ; political parties may try to inject particular ideologies in individuals or in the mass of electorates but in the end a country's strength will be founded essentially on the stability of industrial structure which is an inter-weaving of countless, complex and controversial problems—problems which everybody has to face whether he understands them or not, knows them or not. Everybody, therefore, whether he be a student or a teacher, an employer or an employee, a businessman or a clergyman ought to listen to the economist who introduces industrial problems and palliatives.

In the six chapters comprising this book, which is not claimed to be exhaustive in everything, I have endeavoured to explain and illustrate the chief industrial problems, which I may call fundamental, and the main movements within the industrial field, with particular reference to India, which are distinctive of the middle twentieth century.

My opening chapter offers chiefly, though necessarily, brief but nevertheless informative surveys of some of the tough Industrial Problems of India. India is suffering to-day from severe and serious industrial malaise ; and though there are signs of improvements the general picture is one of exhaustion and of running down. Production all along the line has fallen considerably below the peak of capacity ; cost of living index is showing an upward tendency and there is increasing distress for industries and, as such, for the consumers. Post War difficulties and disturbances were already there in the field and the partition of the country into two parts and the division of the world into two groups, with India standing in the middle, either against both or in favour of both, has ripened our old problems and disclosed new ones in matters of men, money and materials.

Nationalisation of Industries is a problem of vexed controversy and

in chapter II I have examined its pros and cons. Even if one admits the inroads and piracy of private enterprise one cannot shut one's eyes from the records of laudable services rendered by them for industrial development; and considering our present economic set-up and circumstances it can well be said that total nationalisation at a stroke would bring more harm than good. Though the general presumption that each further step in the repression of individual enterprise or in the extension of state control sets diminution in individual activity or relaxation of efforts for self-assertion is wrong but on other weightier grounds nationalisation must proceed gradually. A picture of total nationalisation, which is to be likened to the picture of a man, should consist in a progressive evolution of private enterprise to total nationalisation through a partial nationalisation stage. For the time being partial nationalisation accompanied by restrictive legislations for the control of private industries is the only feasible proposition. To the question how long and how rapidly may this expansion of complete collective control proceed no more definite answer is possible than this, that as and when such restrictive enactments or partial control are insufficient to secure the social interest and as our economic structure improves, larger and larger industries will pass into conditions of complete state control.

The foregoing discussion is followed by a survey of the industrial Policy of the Government of India since 1945 in chapter III with an opinion that Industrial Policy of April, 1948 of the Government of India fulfils all the norms of a proper nationalisation principle and can well be called an Industrial Charter.

The present industrial units embody a waste of economic mal-adjustment and an unscientific application of productive forces at different points of industry and means a diminution of output and results. We are now beginning to recognise that a scientifically managed industry must of necessity mean more than a business in the profit sense. But there is no remedy for this low gear operation of the industrial units than a proper rationalisation scheme in industries. Rationalisation, therefore, has become a fundamental problem and is coming to achieve recognition as an economic necessity for most of mankind, not to speak of industries alone. Even

Russia, abolishing "business", is recognising the principle of Stakhanovism. Chapter IV examines rationalisation problem from the various points of view—its necessity, its kind, its difficulties, its utilities and then finally the Govt.'s policy towards it with perspective examination.

The theory of rugged individualism embodied in the Laissez-faire doctrine of Adam Smith, propounded in 1776, has drowned all noble considerations for humanism in business and industries in the icy waters of egotistical calculations and accounts for all the ills which mar the human growth and health. By playing on the most sordid passions and instincts of human beings, workers have been turned into mere appendages of machines and consumers into 'dumb cattle' to be driven, diverted and goaded on to the path of a dehumanised butcher-house. After several centuries of error the ultimate stark truth has got to be voiced that Humanisation of Industry is a problem, which warrants immediate attention. Chapter V, therefore, has been posed and presented as a discussion on the suggestion for humanisation of industries from several important points, though not all.

The whole industrial world has now reached the Great Divide where it is to be decided whether capital should continue commanding and controlling the productive processes as it has been doing for ages long or there should be some other method of industrial control. My concluding chapter on Industrial Control is a treatment of this controversial issue. Considering the evils of the acquisitive character of the capitalistic control of industries nationalisation has been advocated as a possible remedy. Besides, as a measure of social reorganisation in industry we hear the cry of the socialists in the workers' colony and corner that "it is the worker qua worker" who must rule the industry—a theory of workman's socialism and derived from Marxism. But I have tried to show that nationalisation is not without its accompanying drawbacks particularly here in India, and the theory of workers' control in industry is founded on the incorrect or at least incomplete assumptions of Marx about his labour theory of value and it would only pave the way for an autocracy of workers whose whole history is replete with instances to prove that they are completely unattached to consumers' interest. Despite extenuating, sentimental slogans their tactics in industries are ambitious for their

ownseives and their unrelated behaviour with consumers can hardly be explained in terms of the general welfare of the masses. The consumers' world becoming aware of the protean manoeuvrings of the workers' movement does not believe that the consumers' interest can be safe at all in any system of industrial control in which labour is on the saddle. It has been my opinion that under the present economic condition of India we should frankly recognise the basic fact that society, which has the greatest interest in industry, consists of different economic or social groups, and so long as this condition of society lasts in a country, every government or control of its industry must express the relative importance and interest of the different groups. The Government of industry cannot be safe, satisfactory and surviving if either labour, or capital or consumer or the state itself wants to have the whole controlling power in its own hands. The industrial system is not so much a system of causation as a system of mutual economic determination and dependence. For a proper and peaceful system of industrial control, therefore, all the four elements of industry—labour, capital, consumer and the state should be represented according to their relative importance and should work together in a definite position of equilibrium in an hierarchical chamber or Boards of control for Industries built up from local, regional and upward by means of direct and indirect elections in the associations of the different industrial elements. This whole scheme of industrial democracy, as I may call this scheme of industrial control, detailed inside Chapter VI has been shown to be based on the principle of mutual determination in general equilibrium as well as on the theory of solidarism of the French economists which found great admiration from Vinet, the protestant theologian of Lausanne. But considering that the stake of the consumers is greatest in industry I have emphasised what Bastiat had said on his death-bed that "We must learn to look at everything from the point of view of consumers". The consumer is the king in the economic realm and therefore he is entitled to greater privileges and powers in the system of industrial control. As things are at present, capital will have a separate representation but in the long run it may happen that the consumers and the workers will own the shares of industries and capital will have no separate place.

This is all about the subject but I would be failing in my duty

if I do not express my sense of gratefulness to my friend and colleague Prof. Kameshwar Prasad of the Economics Dept, who has been kind enough to suggest some modifications at various points in the manuscripts. Asha, my wife, is another about whom I must say that she is a sorrow-cure in my life of endless pains and sufferings and without her, therefore, I would not have been able to do such works.

I am inscribing this book to Prakash—a posthumous name I am giving to-day. Prakash was for me, yet unfortunately I am not with him now. His memory is a tragic recollection of an episode of "one's" madness most indiscreet, that simply torments and tortures the inner heart. But alas !

Lastly I will be thankful to my readers for their suggestions for improvements they may make to me.

U. P. V.

Department of Commerce,
R. D. & D. J. College, Monghyr.
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Cent percent Swadeshi by Mahatma Gandhi, Political Economy by Row, Evolution of Capitalism by Hobson, Organised Labour by Mills & Montgomery, Control of Industry by Robertson, Labour Progress and Problems by Mills & Montgomery, Public Corporations by Dr. Gyan Chand, The Rise of Modern Industry by Hammond and Hammand, Individual & Socialism by Kammari, Hand Book of Business Administration by Donald, The Little Golden America by Ilf & Petrov, Soviet Planning & Labour by Dobb, Nationalisation by Baker White, Monopoly by Robinson, Structure of Competitive Industry by Robinson, How to Handle Your Personnel Problems Today (Gramol Publications Ltd., London), The New Industrial System by Hermann Levy, Selected works from Marx, Selected works from Engels, Origin of the family, Private Property etc, by F. Engels, Mental Health In Industry by R. S. Uhrbrook.

FOREWORD

(By Dr. Biman Behari Majumdar, M.A., P.R.S., PH D.)

Principal, H. D. Jain College, Arrah,

&

President, All India Political Science Congress

Industrial problems in the modern world are as varied and complex in nature as they are far-reaching in their repercussions on the social, political and cultural life of the community. Maintenance of a decent standard of life, satisfactory working of democratic principles in government and the promotion of cultural values depend, to a large extent, on the pattern of industrial development in a country. That an industrially backward state cannot provide all possible facilities for enriching the personality of its citizens is admitted by all social thinkers. But there is a sharp cleavage of opinion regarding the respective merits of industrial development under the aegis of private enterprise, state leadership in planning with freedom left to individuals in executing the plan, and ownership and control of industries by the state.

As early as 1864 Proudhon showed how under freedom of enterprise, competition destroys competition and leaves the field to a few large-scale undertakings to enjoy a monopoly. In the United States, the bastion of free enterprise to-day the Du Ponts, the Rockfellers and the Mellons directly or indirectly control 15 of the biggest corporations possessing aggregate assets of over 8 billion dollars. It has been calculated by the Federal Government that four leading companies controlled over half the production of 58 per cent of all products in the food group ; 62 per cent of all items in the forest, paper and petroleum group ; and 95 per cent of the total number of products in the rubber and machinery groups. In a much smaller form a similar tendency towards concentration of industrial power is visible in India. Dr. M. M. Mehta of the Allahabad University has collected, in a recent monograph interesting data showing how nine families—the Birlas, Dalmias, Singhanias, Ruias, Goenkas, Poddars, Bangurs, Zantias and Thapers—hold among themselves directorship of 600 large companies and how the Birlas and Ruias possess extensive interests in the cotton

industry, Dalmias in the Cement and sugar industries, Thapers in the coal and sugar industry, and Bangurs and Goenkas in the Investment companies.

In the text books of Economics of free enterprise it is customary to describe the consumer as king. It would probably be more realistic to compare him with a constitutional king, who is constitutionally bound to sign his own death warrant, if the cabinet of his ministers advises him to do so. It is not rare to find the financial and industrial oligopoly determining the quantity and quality of the products offered for the consumer and the poor constitutional king being compelled either to pay the price which is much above the cost of production or to go without commodities which are essential for his well-being. Monopoly gives rise to plutocracy which tries to control the press directly by purchasing the proprietary rights of the most influential newspapers and indirectly by distributing patronage in the shape of advertisements. It makes a bid for dominating parliament by winning over the influential members of the majority party and does not desist from efforts at corrupting the administrators. If not restrained by the powers of the State, it will become almost a state within the state.

But intervention of the state in industrial production is also not free from difficulties. The issuing of regulations or prohibitions, fixing of prices or production quotas, imposition of tariffs or granting of subsidies produce a feeling of insecurity, helplessness and moral degradation amongst producers. The talented Italian Economist Bresciani Turrone, has pointed out that in such an atmosphere "a good businessman does not take long to recognize that the success of his business no longer depends on his personal efforts and his personal abilities but on the hazards of obtaining a licence, or whatever it is he requires from the appropriate government department. The unfavourable moral consequences are easy to imagine. Corruption inevitably develops amongst government officials and employees. Entrepreneurs find themselves compelled—as the President of the Italian Association of Industrialists recently publicly complained—to spend the greater part of their time not in their offices and factories but in the ante-room of the various ministers, and in order to get

what they require they have to adopt tactics which they find highly disagreeable."

The third alternative, the nationalisation of all large-scale enterprises will introduce an era of such regimentation of life as is hardly compatible with the principles of individual liberty which we have come to regard as of much greater value than mere material comforts. Moreover, whatever might be the possibilities of complete control of industries by the government in other countries, in India the machinery of the state is not developed enough to undertake direct industrial production simultaneously in all sectors of national economy. Mr. A. D. Gorwaler has advocated, and the Government have accepted the jointstock form of management of important state enterprises, like the Sindri Fertiliser Factory.

An analytical study of the most important Industrial problems confronting the world and especially our country has been made by Prof. U. P. Verma in this book. The writer is the Head of the Department of Commerce in the R. D. & D. J. College, Monghyr and has got considerable experience of the difficulties which the young college students find in grasping the complexities of industrial problems. Evidence of clear thinking, lucid exposition, freshness of views and assimilation of wide range of data are noticeable in every chapter of the book. One may not agree with all his views or accept the solution offered by him, but even the most critical reader will admit that the study is an unbiased and scholarly presentation of some of the most intricate problems of the modern world.

This thought-provoking analysis shows that liberty of the individual may be endangered by what has been termed the curious bed-fellowship of wealth and democracy. In ancient India a synthesis was sought to be established between liberty and equality through the Varnashrama Dharma. The liberty of the individual was restricted so far as the choice of certain professions was concerned, but each and every person was at liberty to follow the professions prescribed by the Dharma of his own Varna and had not to submit himself to the dictates either of the managerial class or the planning Authority, nor had he to run to the local officers for securing trade licence or ration card. There were also the limitations of the Kula Dharma, Jati Dharma,

Sangha Dharma and Desha Dharma, but these were meant for maximising or assuring freedoms, which otherwise might have been improperly interfered with. A decentralised democratic social polity was stabilised through the abstention of central government from interference with the spheres of activities of Gens, caste, Guild and Region. It might be objected that the Varnashrama arrangement coerced men into the right paths of behaviour, as determined by traditional values. But as compulsion was rather ethical than legal in character and as it was enforced by autonomous groups of which the individual was a participating member, the coercion was nothing but a form of self-restraint.

Bimanbehari Majumdar

16. 4. 52.

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RECENT INDUSTRIAL PROBLEMS

CHAPTER I

OUR INDUSTRIAL MALAISE

The scope for economic development in India and the possible stimulus of such development to an all-round prosperity of our country are tremendous. India is proverbially rich in raw materials and our natural wealth has been the talk of the world for a pretty long time. We have vast potential resources that can yield all the power that we would need. Thus while on the one hand the prospect appears to be favourable there has been, with the dawn of freedom, the acceleration of the demand on the other hand, for raising the standard of living of the people by increasing the annual income per capita through industrial expansion and prosperity. India's pre-war annual income is estimated to be about Rs. 60/- per head which is nothing when compared with that of the U. S. A. where it is about Rs. 1400/- per head (pre-war figure). [In order that our country may be self-sufficient as far as possible and that the standard of living of the common man may be raised there is a general feeling that a planned programme of industrial development, like that of Russia, should be adopted. It is the only way, as all are agreed, for moulding the economy of the country in such a way as to make the country self-sufficient and strong and raise India's per capita income like that of Russia and America. The national Government intends to achieve this object and has been making tireless efforts to raise the standard of living of the people. (The prospect of India ultimately achieving such a level of prosperity and happiness is not an idle dream but such a prospect depends, of course, upon its industrialisation.) The industrialisation of India will bring about complementary adjustments in other fields of our economic activity and will increase the economic opportunities for

each man to engage himself in the economic activity to which he is best adapted. Industrialisation, furthermore, will strengthen the economic structure of our country which in modern times is so important for national defence.)

[Happily enough there is no dearth of any of the essential prerequisites for industrial development : infinite natural resources ; vast man-power ; and much of progressive ideas. And yet, paradoxically enough, India is far behind its confreres in industrial development, and if any thing, has been outmarched in the industrial field by less fortunate and less naturally favoured countries.)

[India is facing to-day a crisis of industrial production and the general picture presented is one of exhaustion and running down of our industrial and economic machinery. [With the dawn of freedom industrialisation of the country has assumed great importance and in order to achieve a speedy development of Indian industries ambitious development programmes have been launched ; and it is hoped that these will increase the production of consumers' goods and food. There is a general feeling that a planned programme of development, similar to that of Russia's five year plans, should be adopted to mould the economic and industrial destiny of the country.) There are thus the Bombay Plan, the People's Plan, the Gandhian Plan and the Reconstruction Plan of Sir Visveswaraya. The subject of a planned development of Indian industries has also been under the close examination of the National Planning Committee set up by the Indian National Congress.

[There have been, thus, a number of plans proposed for India's industrial and economic development and the best known and from which other such plans have stemmed is the so-called Bombay Plan which relates to undivided India. The objective of this plan is to increase the national income three-fold during an initial period of 15 years. But considering the present rate of increase in the population of our country this would mean only a two-fold increase in the standard of our living. In other words, it would mean on the average an increase of about 7 per cent a year in the living standard or per capita income. According to the plan the total investment required for such an industrial expansion is about Rs. 10,000 crores

(pre-war rupees) of which the equivalent of about Rs. 2600 crores would be required from abroad and the rest i. e. about $\frac{3}{4}$ of the total, would be obtained from the country itself from savings and "created money". This is in short the bright Bombay Plan for India's industrial future and there are people who are very optimistic about the days that are to come. But a close and critical examination of all the minute details of our industrial field presents a picture of industrial malaise which makes us sceptical about the promised future.

[The promised future of the industrialisation, according to the Plan, is a happy spectacle but such an industrialisation would firstly require the essential capital goods. This brings us to the question as to whether India has the capacity to supply from its own resources the capital goods required in the early stages of a programme of industrialisation.]

Difficulties. The question of capital goods:— The capital goods require labour for their production and the labourers who are engaged in the production of machineries for manufacturing purposes are not able, while so occupied, to produce consumers' goods either for themselves or for others unless there is available excess labour, including skilled and semi-skilled workers from which workers for the production of machinery for manufacturing enterprises can be obtained, the capital goods required for industrialisation can be obtained only by encroaching upon the labour force engaged in the production of consumers' goods and thereby minimising the production of food, clothing and shelter. Such a production of the capital goods, then, would mean a decrease in the production and supply of consumers' goods in relation to the demand for them. Such a system of production and effort for industrialisation would be reflected thereby in higher prices of the necessities of life.

Since it is undoubtedly definite that India has not a surplus of skilled and semi-skilled workers which can be spared for the manufacture of capital goods industrialisation means, at least in the initial years, a shrinkage in the supply of consumers' goods and, therefore, a depression in the existing standard of living. There is yet another alternative about it; that instead of attempting to supply capital goods from our own resources, and about which there

is the danger and difficulty, we can depend upon other countries for such supply of capital goods for our industrialisation.

Scanning the probable sources of supply of these capital goods it, however, becomes clear that the prospects of getting these capital goods from the U.S.A. are bleak. The exports from the U. S. A. are strictly controlled and so far as India is concerned such exports are all the more limited by the dollar shortage. Belgium is another probable source of supply and much hope can be pinned for the supply of capital goods from this country as Belgium's exporting capacity is fast recovering with its production of iron, steel and machinery. But it should be soberly realised that Belgium will be willing to supply the capital goods to such countries as would offer in exchange convertible currency or raw materials like jute, cotton, and base metals—none of which India can spare in sufficient quantities. France and Switzerland are other countries which can deliver the capital goods; but supply of machineries from these countries are subject to similar limitations. Britain remains the only country, therefore, from which we can secure the supply of these capital goods and the general feeling is that the industrial technique developed in India in generations of close and intimate contact with the British Engineering industry is so firmly established that it will not be dislodged by their unwillingness to supply capital goods requirements of India. Besides this it is said that the British engineering establishments are determined to hold on to their Indian trade and they do not like to turn down any order from India for the supply of capital goods. The argument advanced is quite plausible and, to a large extent, true also but much depends on the British Government's attitude. Traditionally shrewd and diplomat as the British nation is, the British official export policy is not easily defined and the British Government certainly not follows any hard and fast rules ; but more or less it is governed by the hard fact of Britain's balance of payments position. There is still a wide gap between Britain's imports and exports in its accounts with hard currency countries and they like to close this gap as soon as possible. Thus with the dominant problem, of the British Government, of balancing international payments, the direction in which Britain sends its capital goods is quite clear. In the matter of exports of capital

goods British emphasis will inevitably go on hard currency countries markets. Machineries and steel are scarce everywhere and, therefore, these are Britain's most valuable exports particularly to the hard currency countries of the western Hemisphere which have the capacity to provide Britain with food and raw materials—imports of Britain's vital necessity. Canada, Argentina and the U.S.A.—although the last country's share of Britain's exports of capital goods is very small—are the most important countries from this point of view. The Union of South Africa, a very important gold producer, is another country whom Britain can eagerly be willing to supply capital goods first because she pays for her imports in gold. Quite next in the list of Britain's preference of export markets are countries like Belgium, Brazil, Portugal and Switzerland who are important as savers of dollars or providers of currency. Though it is true that the British Government's action to see that large volume of capital goods export goes to these countries is not expressed in the form of official allocations but considerable influence is exercised in this matter through the subtle procedure of guiding exports through the export licence-system. It is thus clear that India has not any bright prospect of getting its capital goods requirements either from hard currency or soft currency areas. The Indian industries, therefore, is suffering from serious limitations of wide magnitudes. Whether industry in India is to be nationalised or they are to be continued under private initiative and enterprise the capital goods and capital equipments have got to be provided. Even if it is decided to encourage cottage industries in place of other industries, tools and plants will remain to be required and for the production of these tools and plants capital equipment is very necessary. It has been estimated that India requires capital equipments consisting of heavy machinery and plant alone of about Rs. 236 crores for the period of five years ending in 1953. But a survey of the foreign sources of supply of these capital goods has shown how dark is the prospect of getting these supplies from abroad—be it the U. S. A., U. K., France, Belgium or Switzerland. In India itself one cannot hope to manufacture the required capital goods and capital equipment necessary for industrialisation. Although heavy engineering industry has been in existence here for more

than a century no substantial progress has been made in the direction of manufacture of heavy machineries required by the various industries set up or to be set up in India. Most of the engineering concerns have so far been mainly equipped for and interested in structural and repair works. Though it is admitted that some developments have been made in recent times in our engineering industries and certain parts of sugar mills and a substantial portion of the machinery required for cement factories as well as some simple equipments like filter frames, tanks, kettles and screens are manufactured by some of our engineering concerns but in the manufacture of these equipments the parts which involve precision work and complicated engineering technique of production are invariably imported. Besides, for the maintenance of high quality machinery set up in the various industries it is necessary that there should be a well developed machine tool industry. Although in India a machine tool industry has developed during the last war and there has been further advance in it after that, the actual manufacture is still restricted to comparatively simpler types like small and medium size lathes, drilling machines etc.

What is another setback in the manufacture of plant and machinery in India is that the manufacture of these industrial machinery requires proper designing facilities. But at the present stage of our industrial development the art of designing has not reached the same level as production. The development of first class designs and designing facilities in the industrially advanced countries like the U. K., U. S. A. etc. are the outcome of nearly a century's intensive technological research and progress. In India, therefore, it will take a long time before she can be able to develop her production on a commercial basis.

Industrialisation requires the adequate supply of raw-materials. India is said to be possessing inherent potentialities for the supply of raw materials and the belief is not wholly unfounded. But there are certain basic raw-materials which are required for the manufacture of the various machines, tools and plants. These materials required are mainly iron and steel, alloy steels and non-ferrous alloys.

The inadequacy
of designing
facilities.

The question of
raw materials
and machinery
manufacture.

India's plans for industrialisation cannot progress without an adequate production of iron and steel. For years the iron and Steel industry of India has produced steel more cheaply than in any country other than Australia; their efficiency is un-challenged. But the production has now fallen off and uncertainty looms large in the Iron and steel industry. The production and consumption of steel indicate the economic and industrial progress of a country. Compared to a consumption of 860 lbs of steel per head per year in the U. S. A. and 520 lbs. in U. K. and 470 lbs. in Australia, India's consumption is only 8 lbs. When considered in terms of the vast population of India such a low consumption of steel is an indication of the leeway in industrial production and economic progress. The steel production to-day which is of the order of about 8 to 9 lakh tons per annum is less than in any year during the war. It is estimated that the annual requirement of steel products in India is not less than 2 million tons and may even be more if the backlog of demand is to be met. The Iron and Steel (Major) Panel, 1946, put down the target of steel production for India at $2\frac{1}{2}$ to 3 million tons per year. When this modest requirement is looked into side by side with the present production our industrial problem appears to be staggering. According to the Government of India's Industrial policy announced in April, 1948 all new concerns for the production of steel will be owned and managed by the Government. In pursuance of this policy the Government of India propose to set up two new steel factories, each with a producing capacity of 500,000 tons. Various figures of the estimated cost of the plants have been given but it remains to be doubted if a well integrated plant with the producing capacity of half a million tons of finished steel can be set up in these days at a cost much below Rs. 50 crores. It is interesting to note in this connection that it has been estimated that the replacement cost of the Tata Iron and Steel Co., with a producing capacity of only 850,000 tons would be nearly Rs. 100 crores.

Short supplies of and dependence upon foreign countries for other essential raw materials like lime stone, ferro-alloys and other related imported stores and deterioration in the quality of coal, one of the principal raw-materials required for the industry, are the various

handicaps affecting iron and steel production which ultimately retards our efforts for industrial progress. For the production of highly stressed machine parts for our industrial set-up and for such industrial works where resistance to erosion is particularly necessary alloy-steels are badly required. Though such alloy-steels are now manufactured in India but the production of such alloy-steels are made in very limited quantities which are not sufficient for the industries in India. The alloying elements required for the manufacture of such alloy-steels are mainly manganese, copper, silicon, nickel, chromium, molybdenum, vanadium, tungsten etc. and most of these alloying elements are not manufactured here and we have, during the present times, to depend upon foreign countries. Besides, for the manufacture of various capital equipments, common non-ferrous alloys like brass, bronze, white metals, and aluminium alloys are required. These non-ferrous alloys are mainly necessary for the manufacture of equipments like tubes, bearings, fittings and instruments. In the chemical industries where ordinary steels are not suitable these non-ferrous alloys are badly necessary. The production of these non-ferrous alloys is restricted to a few concerns and a couple of ordinance factories and a greater part of these highly necessary metals are imported. Existence of iron and steel foundries, forging, welding, die-casting, punching etc., are the various technical processes involved in the manufacture and maintenance of capital equipments. Although India can boast of several iron foundries very few of them are such as can be said to be well organised on modern lines of industrial efficiency. It is said that most of these foundries, distributed throughout India, have small size cupolas and there is a great amount of sand contamination. Except in a very few iron and steel foundries there is absolutely no sand conditioning system. What is another great drawback in our foundries is that except in very rare cases there is no mechanical equipment generally in use for the proper cleaning of the casting. The manufacture of steel casting is a complicated technical process involving the use of special technical equipment and metallurgical control. Though there are few steel foundries like Tata Iron and Steel Co. Ltd. the Steel Corporation of Bengal, Mysore Iron and Steel Works and few others which are equipped for such technical works there is

much yet left out that remains to be done on the metallurgical side regarding the control in melting and pouring and the employment of conditioning equipment. Machinery manufacture is thus greatly hampered. Machineries employed in the industrial production have to undergo high stresses in their parts and it is therefore very necessary that rolled or forged steel should be employed for such machinery manufacture. Alongside with the foundry industry another quite necessary condition for the expansion of a machinery manufacture for industrial works is the proper expansion of a forging or rolling industry. Leaving aside a few ordinance factories and few other private firms there is no organised forging industry in India. There is thus a definite handicap for the establishment, growth and expansion of the machinery industry in India which in its own turn is a great block on the road to industrial expansion of the country.

A satisfactory supply of heavy chemicals is vital to the establishment and consequent progress of a wide range of industries in every country. In India the chemical production is very small as yet and that has its own adverse effects on the industrial development of the country. Chemicals
The early post-war optimism about the expected strides in chemical industries has now been curtailed by the proof of coming events and there is now a cautious approach and opinion about it.

Production of sulphuric acid and other by-products are greatly demanded by certain industries like textiles, iron and steel, oil refining and coal distillation and India has, therefore, encouraged the expansion of a chemical industry but the production of these acids are generally intermittent. For feeding the textile mills and tanneries the manufacture of sodium sulphite has been begun but no unit, established for their production, has been able to develop in such a way as to bring about the concentration of productions and which, from the industrial point, can be regarded as economic units. The manufacture of chemicals like sulphuric acid, sodium thiosulphate, sodium sulphite and other by-products are not in a good position but as a matter of fact they are managing to pull on in the shelter which the freight and transport difficulties and the

revenue duties imposed on imports of sulphuric acid and other by-products are providing. India is not yet well placed for the manufacture of cheap chemicals. There is not a single chemical industrial set-up the location of which could have been viewed without doubts and misgivings. Their location is such as entails long rail-hauls of the necessary raw materials and fuel, long return journeys for finished products, production on an uneconomic level. The principal chemical user industries like the textiles, leather, oil, fats, soaps and paper industry are greatly concerned with the development of chemical industries and the slackness, the setbacks and the pitfalls in the chemical industries are a cause of industrial malaise as a whole.

For the proper establishment, growth and working of industries an army of scientists, engineers, artisans and technicians are needed

The problem
of technical
personnel.

both to man the factories and keep them running at the desired level. Russia, America, Great Britain are industrially developed countries and all of them have a huge army of engineers and technical personnel for their industrial establishments. In Russia there are more than 300,000 engineers and if in India industrial developments are to assume any such proportions as in other industrially developed countries it is very necessary to considerably increase the number of technical personnel of all types. It is admitted that the importance of this important fact has attracted the attention of all concerned and the urgent necessity of increasing the facilities for technical training has been rightly stressed. At the instance of the late Planning and Development Department and the Council of Scientific and Industrial Research the Ministry of Education, some years ago, appointed the Scientific Manpower Committee (a) to assess the requirements for different grades of scientific and technical manpower, of the needs of the Government, of teaching and research and of industry, agriculture, transport etc. and (b) to make recommendation regarding action to be taken to meet these requirements. The urgency has been realised, the ball has been set rolling to reach the goal point but little has been achieved and technical manpower is one of the gravest problems with which India is faced at present and a deep probing into the matter leaves a gloomy impression. In 1946 the Manpower

Committee reported that India's requirements of technical personnel for industry, transport and government works comes to about 30,000 senior grade personnel and 32,000 junior grade personnel for the next 10 years. Though it is agreeable that the figure indicated by the Committee is an over-estimate now as some of the industries then envisaged to be established, have been abandoned on account of financial implications but the committee's report certainly gives an idea about the magnitude of the demand for technical personnel for industrial development. In August, 1950 Mr. N. R. Sarkar, Finance Minister, West Bengal, observed that technical students receiving technical education in all the institution in India numbered only 7700 ; and in the same year (1950), a few months earlier to Mr. Sarkar's observation, the Vice-Chancellor of Banaras University had estimated that 54.8% students receiving technical education fail in their examinations. When the magnitude of demand for technical personnel is looked side by side with the disclosures of Shri Sarkar and the Vice-Chancellor of Banaras University it becomes abundantly clear that India is lamentably far behind anything satisfactory in matters of technical personnel. India has been divided into four regions, each entrusted with the task of making provision for technical education. In West Bengal, being one of such regions, the Indian Institute of Technology at Kharagpur is beginning to do some thing for the training of technical personnel and it is said that very shortly the Institute of Technology at Kharagpur will begin to work with 240 undergraduates and 60 post-graduates and it is envisaged that a full-construction schedule will be completed by 1953. But the other three remaining regions have practically done nothing. Bombay the other region has merely selected a provisional site and the other two have not done anything more. The genesis of short-supplies of able and efficient engineers to man the industries is to be seen in the academic inefficiency of the Indian Universities in the engineering branch, as in many others. Mr. N. R. Sarkar while speaking at the 6th session of the All India Council for Technical Education, in January, 1951 remarked that "the engineering faculties of some of the Universities are the weakest link in the chain." In a subject like engineering, as also commerce, academic qualifications and

degrees are of small value unless accompanied by practical experience in works and establishments run on strictly business lines. An overall examination of the various facts and figures indicates a bewildering lack of qualified men able to handle and maintain even simple machinery because of the lack of proper practical experience. It has been found that the different engineering firms and workshops are reluctant to undertake the practical training of the average academic qualified men because of their low standard. Unless the whole question of engineering and technical education is reviewed and reorganised on scientific and practical lines there will be, as it is to-day, a notorious lack of able engineers, technicians and artisans to run the industry.

For a proper and well co-ordinated development of industries in any country chemical and engineering industries are universally recognised as the starting points in every country. The Industrial Revolution in England during the 18th century was possible largely because of the chemical and engineering developments in that country. Industrial development in India has been strange in the sense that the establishment of every industry has been much before the beginning of the chemical and engineering industries. "Indian industrialism actually began its onward march with its tail-end in fronts" and this has resulted in the weakness of the whole structure. This freakish developmental error accounts for the low production rate in every industry established in India.

The most important setback, however, to Indian industries is from the point of view of their capital requirements and the question of their provision. In India the question of capital is very acute in the sense that here the problem is not limited to the provision of longterm capital alone but there is an equal inadequacy and trouble in getting the working capital as well. The first thing that strikes one in this connection is that there is the lack of a well developed investing class of people in India and those that are there in the field are proverbially shy. As India had no vigorous industrial system during the last few generations these investing public, those few that are available, have not the same boldness and venturesomeness that is acquired by living under the rub of industrial and business enterprises. They

The problem of capital supply.

are, thus, reluctant to make direct investments in industries. The majority of the capital owning class, therefore, favour land, because of being very familiar to it, and Government securities, municipal and port trust loans. Readers will agree that the capital owning class is not restricted to any one locality—big towns ; rather some of them are also found in mofussil areas of small towns and villages. But the capital available in these mofussil areas are practically untapped for industrial ventures because of a total lack of any proper organisation of capital in these areas due to the absence of suitable banking facilities. Something has been done to eliminate this defect but much remains to be done.

A large part of the savings of the well-to-do agriculturists are even to-day locked in hoards, jewelleries and the purchase of lands—and more lands. In big towns the position is much better because of the existence of banking facilities available for the public and the savers of capital are found to invest their savings in industrial and commercial undertakings. But even in these areas the situation cannot be called wholly satisfactory from the view point of industrial finance. Banking development in India came later than industrial development and, therefore, in many cases industry had to adopt its own method of financing without reference to the banking structure ; and this has been a very weak link in the whole chain of industrial finance. This later and slow development of banking in India brought managing agency system into prominence and made the cost of capital very high. Had there been a well-developed banking organisation interest on capital needed for industry would have been much lower than what is paid to-day. This high cost of capital has not merely retarded the growth of industries in India but has also necessarily confined industrial activity only to such fields of production as are expected to yield very high profits ; industries expected to yield normal profits do not attract an investment. Lack of proper banking system in India threw the whole burden of industrial finance upon a limited class of entrepreneurs, the managing agents, who have been unwilling to pioneer new enterprises where the chances of very high profits are not very bright and they have been, therefore, content to proceed on well known safe lines. The Industrial commission has, therefore, very aptly reported that "The investment of

capital has been upon comparatively restricted lines.....". In the opinion of several leading businessmen before the Indian Tariff Board 10 to 15% on invested capital was the minimum return required to draw capital into new fields. Besides, since the burden of financing the industries has mainly been on a limited class of entrepreneurs, the managing agents, industries have been generally undercapitalised because their resources even when combined with those of friends were insufficient for needs of the industries undertaken by them. Even in Bombay where there was no lack of capital resources, it was revealed by the Bombay Mill Owners Association before the Indian Central Banking Enquiry Committee, the cotton industry was established with such an initial paid-up capital as was not always sufficient to pay for the block and was greatly inadequate for the working needs. "In most cases, therefore, the concerns were undercapitalised". The system of undercapitalisation with the accompanying defects is more obviously revealed in the case of smaller enterprises of the major industries and the smaller or medium-sized business generally. The Indian section of Tea Industry in India has always been suffering from undercapitalisation. The Indian section of coal industry has had a similar tale. Undercapitalisation results in heavy borrowings later on and this combined with the heavy interest payments thereupon acts as a deterrent to the industrial growth. Newer enterprises like the soap industries, match industries etc. have been overtaken by similar misfortunes.

Another inherent defect of our industrial financing is that there is little or no system of mortgage banking here which offers a useful means of supplying the smaller concerns with long-term capital. Had there been a well-developed system of industrial mortgages most of the smaller organised industries which has suffered on account of lack of capital would have enjoyed a better career of business. Unfortunately for industries the problem of raising capital for industries internally has been made difficult because of the Government of India being a serious rival in the Indian capital market since 1920. The Government of India has raised loans at rates of interest which, however, justified from other points of view, have certainly affected the industries very adversely. The high rate of interest ranging from 7 to 8%, which the industries

have had to pay on their debentures is the inevitable result of the high interest which the Government has been prepared to pay for capital in the same market. Besides, the development of banking, in the big town areas, has been inelastic and unsuited for industrial development because they are modeled on English deposit banking lines. Working on deposit banking system they accept demand deposits and have, as such, demand liabilities and are, therefore, not equipped for providing long-term finance to industries. Furthermore the terms and conditions on which these banks are ready to grant short-term finance to industries are rather a sort of discouragement to the industrial development. The banking Structure of India has the traditional practice of obtaining two signatures at the time of granting loans and their insistence on the necessity of the second signature from the managing agents only restricts the financial facilities offered to industries. "It is well known that banks at present are unwilling to advance moneys on the security of assets of a limited concern unless the same is backed by the personal security of the agents themselves".¹ As no practical banker in India would be willing to make a departure from this established traditional banking practice, it is no use proposing an alternative system unless the whole organisation of commercial and banking credit is changed.² Influenced by such a method of financing the industrial structure of India has entrenched the Managing Agency System as the very life and soul of every important industrial concern because it were the managing agents themselves and not the industries, as such, who established contact with the banking system. The link, therefore, between industries and banking organisation in India is therefore not direct but through an indirect channel of the managing agents. Such a system of bank-industry relationship has been unfortunate so far as the industrial development is concerned. The Imperial Bank, and those following the practice of this great bank, generally keep a margin of about 25 to 30 % or even more in providing loans to industries against the security of liquid assets. The actual amount of finance thus extended is generally far too small in relation to the

1. Sir Thakurdas.

2. Basu—Industrial Finance.



assets of the industries. Next, the average bank rate for the finance offered to industries, is very much higher in India than what is prevalent in England and Japan. All these are due to the fact that Indian banking system has a tradition to adhere to the orthodox commercial banking practice. The Exchange banks in India who carry on a very lucrative business in foreign exchange devoted all their capital in it and they being foreign in management and capital are not the least sympathetic to the problem of industrial development in India. The problem of capital for industries, furthermore, is peculiarly difficult here on account of there being no organised or specialised capital market. India has neither the Continental System of banking organisation nor does she possess the investment banks of the type as in the U. S. A. nor the issue houses like that of England. Underwriting firms like that of Western countries are peculiar by their absence here ; industries, therefore, are unable to have their shares and debentures so commonly underwritten as is done in the West. Contrary to the system generally prevalent in Western countries and Japan Insurance Companies in India generally avoid investing their surplus fund in industrial securities and are wedded to spending the bulk of their funds in Government and Semi-Government securities. By section 27 (1) of the Indian Insurance Act, 1938, Insurance Companies in India were compelled to invest 55% of their liabilities to life insurance policy holders in Government and Government approved securities. It is thus established that we cannot be very optimistic about our own source of capital supply for our industrial development. But according to the Bombay plan, for the industrialisation of India, the total investment required is set at about Rs. 10,000 crores (pre-war rupee) and it is further estimated in the plan that $\frac{3}{4}$ of the amount would be obtained internally from savings and "created money".

In a very recently set up six year Colombo Plan for the co-operative economic development in South and South-East Asia a scheme of development for India has been designed "to improve the standard of living, to provide a minimum of social services and to supply sufficient capital and consumer goods....." by promoting a full use of existing industrial equipment and encouragement of other industries and agriculture.

Colombo
Plan & the
capital
requirement

"In framing the programme, a list of projects in progress or ready for execution, with a total cost of Rs. 32,190 million was investigated. From these a careful selection was made of the most urgent projects, estimated to cost Rs. 18,400 million" which in the opinion of the Government of India represent the "minimum of development necessary to achieve the objectives of the programme"¹. The development for India as envisaged in the Colombo plan involves public investment of Rs. 3,070 million per year as compared with the recent rate of Rs. 2,250 millions and a private investment of Rs. 2,600 millions as compared with the recent rate of Rs. 1,600 million. It is further estimated according to the Plan that a total internal finance of Rs. 10,300 million would be available for development in the public sector during the period 1951-57 out of the revenues of the Central and State Governments as well as from the economies in public expenditure and from a certain new forms of taxation and from a net borrowings of Rs. 2,400 millions from the public.

As in the Bombay Plan much hope has been pinned in the prospect of raising internal finance for the execution of the Colombo Plan too. Out of the estimated immediately necessary amount of Rs. 18,400 millions, for the execution of the plan, more than half, i.e. Rs. 10,300 is estimated to be raised internally from the following sources :—

Current revenues of Central & State Govts.	Rs. 4,900 millions
Surplus of State-owned enterprise (mainly Rlys).	„ 1,800 „
Net borrowings from the Public	„ 2,400 „
Proceeds of Rly. depreciation fund	„ 1,200 „
	<hr/>
	Rs. 10,300 „

It is clear, therefore, that much is expected from domestic savings. But review of the domestic conditions shows how there is complete exhaustion and "not knowing what to do" in every sphere of Government. The grow more food policy has been a total waste and continues to be the same. Scarcity, starvation and economic

1. The Colombo Plan as presented by Hon'ble the Finance Minister to Indian Parliament on 28th November, 1950.



stagnation are staring at every face. Prices are soaring high, inspite of all measures to control inflation, and the real income of the people in India is miserably low. The annual income per head in real terms instead of rising has been showing a downward trend. According to a rough estimate, in terms of 1945-46 prices our annual income per head was Rs. 237 in 1945-46, Rs. 233 in 1946-47 and Rs. 200 in 1948-49 and it would be still less in 1950-51 because of the food famine, cloth scarcity and other related scarcities. There is a comprehensive system of controls on prices of all essential goods ; but in the great struggle between ethics and economics the Government has miserably failed to see the ethical execution of the policy of control and black-marketing and corruption is rampant. There has been tall talks on honesty, uprightness and strictness in public speeches but of little practical effects. The result has been that the average man has to meet his daily needs on black-marketing prices because of there being no alternative for him. All these economic ills have resulted in deficits in the average man's budgets in India, and there is little or no savings in the pockets of the public which they can invest. There is a little margin of savings in the hands of the small section of the urban population. But even here the prospect for investment is not very bright. This section of the population having a small margin of savings has to bear relatively heavy burden of taxation which leaves him in no suitable position to make investments. The current central budget, including the Railway Budget, has further increased an all round taxation load on the already heavily loaded shoulders, and there is little to feel that anything encouraging can be expected from the internal savings of the people for development programmes. There is thus grave doubts as to whether there can be any spectacular increase in the rate of per capita investment here (which was Rs. 10 before 1939 war as compared to Rs. 1,800 in the U. S. A).

A review of our internal conditions regarding capital supply, therefore, shows that the plans for development have greatly overestimated the achievements which might reasonably be expected from self-help.

The optimism about availability of capital within the country elf, both in the Bombay Plan and the Colombo Plan has been due

to the fact that in India the problem of capital supply has often been regarded as a question of the total quantity of capital in the country. But from the point of view of industry and development what matters is not the total quantity of capital in any country but the capital that will become currently available for investment; and considered from this point of view India will have to depend, and for a long time to come, on foreign capital. The opinion of Sir Basil Blackett in 1925 that within a short time India would become a creditor country and that she could dispense with foreign capital was not only a pious but even a miscalculated statement about industrial capital in India. What to speak of new industries, even the old established industries have had, at one time or another, to depend on foreign countries for additional capital. M/s. Tata & Sons in 1929 thus concluded an agreement with an American Syndicate with a view to getting better financial facilities for all the four companies under their control. It is admitted that recently there has been an increase in the savings and capital in India but the tendency here has been to invest capital and savings, if any, in real property. Besides, those desirous of investing profitably prefer to invest in Government and semi-Government securities rather than in industrial securities. In India, therefore, it is not merely an increase in the volume of savings and capital that would solve our problem but necessity is for a well balanced distribution of the capital resources among the various needs. Our problem is not simply limited to attracting and devising ways and means for securing capital but what is more important than this is to check the tendency of capital, that is available, being driven away to hoarding and non-economic uses. As a matter of fact any optimism, therefore, about getting $\frac{3}{4}$ of the capital requirements, as in Bombay Plan, or more than half of the immediately necessary capital as in Colombo Plan, internally is misleading. We have seen above how the capital market here is unorganised and the little capital that exists here is either dormant or is directed towards trinkets or lands. We have thus to depend upon foreign help for major portion of the capital requirements.

According to the Bombay Plan Rs. 2,600 crores would be required from abroad and on considering the financial implications of the

Colombo Plan as a whole, it appears that out of a total estimated cost of Rs. 32,190 millions only Rs. 10,300 millions, according to the Plan, can be mobilised internally which leaves a gap of Rs. 2,180 millions. Taking even the cost of few selected immediately necessary projects of development, estimated at Rs. 18,400 millions there still remains a gap of Rs. 8,100 millions. This gap in the capital supply, it is estimated, represents the amount of external finance necessary for the execution of the programme. While considering the question of capital supply, both internal and external, in India it is interesting to note in this connection the views of Prof. Colin Clark, the great Australian economist, who visited India a few years back. Prof. Colin Clark who has gained international reputation for his studies regarding national incomes and economic progress has worked out mathematical equations regarding the industrialisation of India and according to him India would require to import an amount of capital equivalent to 5,000,000,000 pre-war dollars in order to raise its standard of living by 2% only (and not 7% as envisaged in Bombay Plan with a capital requirement of Rs. 10,000 crores only). This five thousand million dollars when worked out in terms of Indian rupees at the present rate of exchange comes to about Rs. 2250 crores. In order to elucidate the magnitude of India's requirement of foreign capital Prof. Clark has further estimated that the amount of foreign capital required in one year to implement a rather modest industrial programme India would require capital somewhat near that required during the first year for recovery of the 16 countries of Western Europe taken together under the Marshall Plan. It would be staggering to note further that whereas the Marshall Plan is only a four year programme India's plan for industrialisation would, as a matter of fact, extend over a period of 15 to 20 years. The total amount of capital required thus during this long period comes to about five times the total amount of Marshall Plan. Even supposing for a moment that India's requirement of foreign capital would actually be much less than what Prof. Clark has estimated, and the chances of which are very remote, it is certain that India's requirement of foreign capital would exceed the foreign lending resources even of the American Government. The value of American owned assets

OUR INDUSTRIAL MALAISE

in foreign countries was about \$ 13,940,000,000, in 1939 and about \$ 21,260,000,000 in 1946 all of which indicate that although the U.S.A. is the principal creditor country in the world the value of its foreign assets is not very large relative to the capital needs of India extending over a period of 15 to 20 years. Whenever the question of foreign capital for India crops up all eyes are turned towards America for the major supply. But it should be realised that America is not magnanimous. It is true that President Truman has called upon private American investors to invest their money abroad and mostly in underdeveloped countries but while doing so he also very cleverly emphasises that private investors of America need an effective guarantee of their safety. He authorised the Export-Import Bank to "guarantee U.S. private capital against the risks peculiar to those foreign investments. Some investment may require only a guarantee against the danger of inconvertibility, others may need protection against the danger of expropriation and other danger as well". India, where the Government does not follow a policy of free capitalistic economy and believes in taxation, exchange and trade controls, nationalisation and socialisation, is not a favourable land for sympathetic dollars to flow. Besides the fact that "the scheme of private investments in foreign lands has been criticised by American Chambers of Commerce as savouring of statism and socialism",¹ America has its economics and politics too passionately wedded to each other to allow for any investments abroad which does not bring any strategic gain from the view-point of any war. Whether India can attract American investment from this point of view is more than doubtful. There are some who argue that America being a land of free enterprise working on capitalistic lines its private investors are free to put their money wherever they see the prospect of greatest profit and India being one of such lands private investors would not wish political consideration so much. But it should be remembered that even in America there is not laissez faire capitalism, rather capitalism and free enterprises in America are nursed, guided and controlled at every point by the Government and there is little prospect of India getting the capital supply from private American investors

1. From an editorial comment of 'Prosperity'—Nov., 1949.

even if the latter like to invest their money in India. The industrial future of India, therefore, when looked at as a whole through the capital requirements appears to be very gloomy.

The other very important factor in industrial production, and perhaps the most important than natural resources, is the human

factor in industry. The one great disquieting feature is the great malaise which has affected labour in India. Economic causes, such as the acute shortage of the necessities for life like food and clothing and the resultant high prices of the consumers' goods are at the root of this industrial malaise. The labour unrest is prevalent everywhere in the world but in India the problem is very peculiar in the sense that while elsewhere labour fights for its own just and reasonable demands in keeping with the national economic interests, in India the general attitude of labour is, on the whole, irresponsible and non-co-operative towards industrial production. Indian labour, on the whole, totally lacks in the democratic spirit and education which "is the most serious obstacle of all" for industrial development.

In contrast with other countries the peculiar, and dangerous too, character of Indian labour organisation is the absence of labour leaders that come from the rank and file of actual workers. The leadership of labour organisation in India has remained till to-day with outsiders belonging to the class of propagandist adherents of some active school of political thought. These clever demagogues manage to capture the mass imagination of the Indian worker, who are generally illiterate and unimaginative, and foment troubles to gain personal and political ends to the great detriment of the industrial and national interests. Trade unionism is not bad; rather in the strength of labour union lies the strength of industrialism but the essence of this strength is the feeling of mutual trust, co-operation and a readiness for mutual understanding between labour and industry—which can only be possible when the leadership of labour organisation is in the hands of the labourers themselves. The loss of working days, diminution of industrial production due to irresponsible and politically fomented strikes are staggering and unless this great malaise is remedied there is little hope for industrial

expansion and production. These demagogues in order to achieve their own political ends have instilled in the minds of the working-class the fact of labour being a separate class distinct from the general community, "with a code of rights distinct from the society and enforceable against society".¹ Such a segregation of labour from the rest of the society and the irresponsible fomenting of labour troubles in industries as such is one of the greatest evils of Indian labour organisation. We cannot expand our industrial production and achieve industrial development unless labour organisations in India feel that they are one of the fabrics of the general community-carpet and any loss suffered by the community at large is a loss to their own existence and, therefore, accept the condition that they "will keep in view not only the advancement of the legitimate interests of the workers, but also the true well-being of the entire community, and will endeavour to see that their delegates and representatives on organisations of labour or other bodies function solely with the view to further the best interests of the working class and the community and not for personal aggrandisement or partisan ends".² The influence of political ideology and programme of the different political parties in India and their programme on the labour organisations of India is giving labour an artificial twist not only to the detriment of the industries but also of the whole community. The methods which a labour organisation should adopt for the redress of their grievances—grievances for better wages and working conditions—must have their bearings in the economic and social conditions prevailing in the country concerned. To elucidate the matter at length it may be said that in a well-developed economy run on capitalistic lines—like that of the U. S. A.—labour can very judiciously achieve their objectives by means of aggressive strikes for in such an economy the problem of production has already been solved and the aggressive strikes of labour organisations instead of retarding production will greatly correct the faulty distribution of the national wealth in the country. But in India whose economy is torn to pieces by chronic shortages of essential goods, arrested economic development, ill health and malnutrition, organised

1. P. P. Laksman—Congress and Labour Movement.

2. Constitution of Hindustan Mazdoor Sevak Sangha.

cessation of work for securing better wages and working conditions can only cause disastrous consequences upon the whole community and ultimately retard national development. India is too poor to have the luxury of watching a parade of union strength by strikes. "The choice of the appropriate method for the realisation of the aims of Labour Movement and for the redress of the wrongs of workers will rest on the balance of real all round advantage..... It would be insesate cruelty to add to the agony and sufferings of the people of this country by stopping production and dislocating the system of transport and distribution while it is possible to procure a reasonable settlement of dispute by arbritration or other peaceful means".¹

Another quite obvious industrial disease has resulted from an unco-ordinated and uneconomic plan of our industrial locations. The question of industrial location can be viewed from several angles. From the limited and narrow standpoint of each industry the dominant consideration has always been to secure the maximum efficiency of production and distribution and the location of Indian industries has mainly been planned from the same view-point. But experience has shown that if industrial location is governed by this consideration alone it naturally gives rise to a variety of economic and social evils which ultimately reacts badly upon the industries themselves. In India there is an extreme concentration of industries which can be only characterised as uneconomic. Industrial concentration is also a common feature of all industrially advanced countries. But the essential difference between other countries and India is that while in other countries concentration is largely based on coal, iron and other mining areas in India industrial concentration is not so much based on coal and iron as on ports and commercial centres. But on the whole the distribution of industrial activity is extremely uneven in India. In 1939 as much as 52% of the total number of factory workers in India were found in two provinces (States) only—Bengal and Bombay. Industrial concentration though everywhere found is a particular system of our economic disease and weakness here in India because

Locational setbacks.

1. Shri Gulzari Lal Nanda.

of certain circumstances peculiar to our country. The economy of India is already heavily unbalanced because of the too much dependence on agriculture. India has a population of some 350 million and about 70% of its working populations depend on land for their livelihood. In spite of this agricultural yields here are, however, low in comparison with other countries, "and there is evidence of a further decline over the last two decades".¹ The economic disadvantage resulting from this unbalanced, and even unfruitful, economic dependence are further aggravated by this uneven industrial distribution in the country. Had India been highly industrialised, this uneven distribution of industries would not have any serious uneconomic effects, as in Britain and other similar countries, but when the total number of factory workers is not even 3% of the total population the heavy concentration of industries in two or three places reduces the share of other states to a very insignificant figure as compared with their population. Excessive congestion in particular areas, concentration in vulnerable localities and wide disparities in the living standards of different sections of population are the evils of great magnitude ultimately adversely affecting the industrial expansion in a dozen different ways. There is thus a great need for some kind of regional industrial planning aiming not merely at maximum efficiency of production and distribution but also at a strongly optimum industrial distribution based on broader economic and industrial considerations. A mere expansion of industrial production without regard to the social and economic desirability of the country as a whole is an industrial disease and cannot be accepted as a suitable industrial expansion. There should be a more even distribution of industry as between regions in order to secure a balanced development of the country as a whole.

Transport difficulties. Last but not the least is still a trouble from the point of view of transport and communication inadequacy. Railways are to industries and trade what banks are to the financial system. "Just as banks are the conduit pipes through which capital flows freely, it is the function of

1. Colombo Plan as presented by the Hon'ble Finance Minister to Indian Parliament on 28th. Nov., 1950.

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railways to speed up the mobility of goods and services".¹ But six years of the World War II left their deep marks on railways and communication system of India as on other industries. The purchase of locomotives, wagons and other rolling stocks could not be possible because of every industry being geared to the terrible war machine. Even repairs were not attended to. All these left the railway transport system with very restricted resources—material and workshop capacity ; and for a long time after the war and till very recently the position was of "goods chasing wagons", instead of wagons chasing goods.

¹ Editorial comment of the Journal of Commerce & Statistics, January, 1950.

CHAPTER II

NATIONALISATION OF INDUSTRIES—I

Socialisation of every thing is the general cry of the Socialists ; and they demand not only the socialisation of the government of the country but the socialisation of the the government of the industries as well. Nationalisation or socialisation The controversy. becomes one certain outcome of this. But the question is, can nationalisation be justified or private ownership is more desirable ?—this is one of the vexed controversies that surrounds the economic thought of the day.

There is a strong wave of opinion for transferring to the State the economic activities hitherto lying within the compound of private enterprise. But even about this question of transference there are conflicting opinions—even amongst the socialists themselves. There are two schools of thought amongst the socialists in this regard and they are respectively known as Pure Socialism and State Socialism. The theory of pure socialism about the transference of economic activities from the private hands to the state is that it does not want everything to be placed in the hands of the state. The advocates of this school say that instead of transferring in the hands of the State they want to abolish the State itself. It is true that at the present moment they give general support to the legislative projects for extending the functions of the State but they say that they mean to give such functions to the state merely "as a temporary measure for transforming individual enterprises into collective ones"¹ According to them they profess great contempt for the present State organised as it is by politicians and employers and having the same interests as the capitalists. By socialisation and nationalisation, therefore, they simply mean that every enterprise is to be run in the public interest without any thought for profit.

1. Row—Gide's Principles of Political Economy.

The followers of State Socialism on the other hand reject the whole idea of such a theory and turn it to ridicule. They attach correspondingly greater importance to the State and like therefore to considerably extend the functions of the State. This school of thought has in recent years exerted great influence over the activities of the State and has forced the economic science to abandon the policy of abstention from interference to which it was wedded for ages long since the propounding of the barren theory of *Laissez faire*. The reply of this school of thought to the theory of pure socialism is that even if supposing that the State is badly organised by politicians and employers, it must be remembered that it has done some great and fine things even in the economic sphere in putting an end, to a great extent, the inequities of self-interest and desire for personal profits. Who can deny that it has been the State which has abolished slavery, trade privileges and has passed laws for labour regulations etc. etc. ? To them, therefore, it is necessary that the economic activities should be transferred from the private hands to the hands of the State not only temporarily but permanently. The interests of the community, according to them, will be safe when the industries are owned and run by State. Nationalisation or socialisation of industries does, therefore, in the present context mean State ownership of industries. The State being the custodian of the interests of the whole community would run the industries in the interests of all.

The issue, therefore, that is now sharply posed and presented is whether the economic development of the productive resources should be brought about through a system of thorough-going nationalisation spreading out to all branches of industry or it should be still left in the age-old hands of private enterprisers.

In the polemics of such a controversy between the two confronting and sharply opposed principles there is also a golden mean between the age and the youth ; for between the two violent currents running on two opposite directions there is also a middle calm course. Instead of there being either the State or the private enterprise both may remain at the same time in the national economic organisations which like a carpet gains more in beauty and strength by the harmonious blending of different strands of variegated colours. As a matter

of fact the socialist issue of private enterprise vrs. State enterprise is unreal and a distortion or perversion of the correct economic conception.

Total nationalisation has not been possible as yet anywhere. The experiment in Russia. except in Russia where everything including marriage, divorce, abortion, vice, corruption, crime, nepotism and favouritism has been socialised. Is there anything like complete nationalisation of the means of production or complete laissez faire in any other country? In practice there is the co-existence of the socialised nationalistic sectors and the private sectors in almost all countries which have accepted the socialistic programmes. What has exactly been found and achieved subsequently is not the total replacement of the private enterprise by public undertakings at a stroke but a critical and careful examination and enquiry from time to time as to what extent and what more sectors may be socialised by adding to the list of public enterprise. The advance towards socialisation or socialism should be gradual and empirical. Any violent change will be catastrophic and too costly for a nation to bear.

Partial nationalisation is well under way in Britain where the old lady of the Threadneedle street has already been courted and owned by the wise and romantic ministers. Coal became Mr. Shinwell's New Year's present to the nation which since January 1, 1947 is a state property and the nationalisation of iron and steel has actually been announced. But full and total nationalisation has not yet come.

In these days of ideological associations "nationalisation is not so much an economic experiment as an ideological shibboleth".¹ We therefore find that the question of nationalisation greatly appeals to intellectuals who instead of examining things around themselves look up to Russia when they are political adherents of the extreme type and to the leftists of Britain when they profess moderate ideologies. The number of such people is growing every day and with this growth of such thinkers the spate of talk about nationalisation is growing apace. There are thus

1. S. R. Galea.

many who want that everything should be nationalised with a stroke of pen without any delay, without paying least attention about the circumstances and conditions, forms and results of acts of changing the form of industries. Transfer of property can never be so easy as people say. While speaking in London on the 22nd November, 1945, no less a man than Mr. Emanuel Shinwell himself, the Socialist Minister whose task was to put through the Coal Nationalisation Bill, said :

"We are about to take over the mining industry.....That is not as easy as it looks. I have been talking of nationalisation for forty years, but the complications of the transfer of property had never occurred to me". Such a frank admission about the difficulties and complications inherent in any act of taking over the industries from the private hands to State ownership and control reveals the necessity of exercising care, caution and highest degree of moderation in our talk about the necessity of nationalisation. The colour of politics or of economics in such matters is of little importance. It is the result, and the cost to the taxpayer, in such acts that matters much. Nationalisation of any industry may be an event of great importance for those who make it a political issue ; but in itself it is of little importance to the ordinary consumer and tax-payer. What is of importance to him is whether nationalisation will mean more goods—cheaper goods, or less goods and dearer goods. If the former proves to be the answer there is new hope for the industries but if the goods become scarcer and dearer or if the price can only be kept down by a subsidy borne ultimately by the tax-payers—the consumers, there is bound to be another misery.

But in spite of such considerations the issue is generally presented in its doctrinaire sharpness. To the mass of the people having nothing to do with social ideological controversy nationalisation is a means, not an end—means to secure something good and not being good in itself. Nationalisation is a policy which is expedient not for all times and all industries but at certain times, in certain places and to some extent. Extreme nationalisation is bound to destroy two powerful factors in any economic enterprise—personal incentive and the hope of personal gain. The latter factor was the candle-stick yesterday ; to-day it is under the bushel. But private initiative

and enterprise is perfectly legitimate when within bounds and surcharged with a sense of fairness and justice to the teeming millions and the nation. Any system that seeks to abolish them

Dangers of
extreme
Nationalisa-
tion.

altogether is sure to make us live an anaemic economic life. Heinrich Pesch, the well known German economic moralist is said to have once observed that "the ambition to cure economic ills by means of nationalisation is not dissimilar from the cure to which a doctor submitted a patient suffering from ulcer. The stomach was carefully extracted, washed diligently and put gently in the sun to dry. But as a greedy cat stole it the doctor thought of getting out of trouble by expropriating the stomach of a goat which he proceeded to stick on to his patient, who henceforth, unable to digest anything else but grass was brought to an early grave." Extreme nationalisation seeking to extract wholly the private property from the diseased economic organism and substitute it by nationalisation is bound to make the body-economic weak and a gradual paralysis is sure to creep over the economic organism.

Nationalisation represents an expansion of the state activity in the field of economics and it may be a total or partial nationalisation according as the expansion of the economic activity may be. To this total or partial expansion of the State activity there is a corresponding shrinkage, total or partial, in the field left to the citizens. If there be an one-sided expansion in the economic field either of the private enterprise or wholly of the state activities there is the danger of there arising the dire consequences of a potential tyranny—potential and not actual tyranny because it is first possible to conceive that the passage from the potential to the actual may not ever take place. But the possibility is always there. It is a rude reality of the practical politics of the world that he who controls the production and distribution of goods controls directly the people. A man economically and wholly at the mercy of others, be

The fear of a
potential tyranny.

it any private person or the State itself, is either already a slave or is in danger of becoming one the day such a master should decide to exert the economic power in his hands—and masters often do. It will not be necessary to cite an example of private persons holding such economic powers exercising them on others. Even the State does it. It will not be

out of place to mention in this respect a threat uttered by the British Socialist Minister of Education, Miss Ellen Wilkinson, speaking to those who were State servants. Addressing the Annual Conference of the National Union of Teachers on the 26th April, 1946 she stated that it would be the duty of the teachers to supervise the distribution of free meals when the system was introduced in state-controlled schools. The teachers protested against this because they contended that it would amount to their acting as waiters and restaurant managers which was not a part of their work. The Socialist Minister, Miss Wilkinson, could have explained and convinced them with soft words but her reply to their protest was, "Get this clear ; it is going to happen." The reply was totalitarian and never socialistic. This is why it is pointed out that with an one-sided development of economic activity—private or state—there is a danger of potential tyranny resulting on account of the holding of economic powers of the extreme nature.

Coming again to the private and state activities and examining first the former it may be said that looking at the achievement of private Indian enterprise during the last 150 years it must be admitted that in spite of the laissez faire policy of the Government, in spite of the policy of Imperial Preference, in spite of currency manipulation and administrative discriminations against indigenous private enterprise it has served the country well in improving to some extent the economic condition of the country and preventing a continuous drain of the country's material resources in money and in kind to foreign countries. But the danger of leaving the whole economic field in the private hands leaps at once to the eye when we find that it has resulted in the lopsided development of the economic activities, deeper gulf between the haves and the have-nots, unbalanced progress of the economy as a whole, the inequitable distribution of the national dividend and the uneconomic exploitation of the national resources. In short, to take a sporting metaphor an all round private enterprise has been "like a race in which profit has always come in first, with safety a poor second, sound method an 'also ran' and national welfare a 'dead horse' which entered perhaps but never likely to start". Private enterprisers have, therefore, been 'like greedy boys in our

national orchard biting out the sunny side of apples and throwing the rest away' without the least regard for the posterity and national welfare.

Coming to the other extreme of total nationalisation we become alive to the danger when we consider and study the fallen human nature and as more we realise that the Government is not a pure abstraction, chaste Platonic ideas or ideals hovering in the sky but concrete realities in human flesh and blood liable to be the subject of pride, lust, covetousness and sloth. The working of the various imports, exports and exchange controls by the Government has shown that shortcomings and errors are natural and in some cases there has been regrettable lack of experience which has seriously affected many an industry during the war period. But it should be very clearly understood that it is not meant to be emphasised that these fallen nature of the State activities show anyway the futility of nationalisation; the argument merely holds the red-light of warning that should nationalisation be applied over the entire national economy at a single stroke of pen it would enlarge the task and responsibilities of the Government far beyond the capacity of its machinery with which it is equipped. *Chi troppo abbraccia poco stringe* say the Italians i.e. he who tries to embrace many things will finish by hugging only a few. The State exists to fulfil such certain specific difficult functions which are beyond the capacity of individuals; and whatever is below this category of functions should be left to be performed by the smaller groups—the individuals. Only then the State can carry out its functions with better freedom, ease, power and success. If there is a division of work between the state and the private individuals, the state will have the respite of directing, watching and stimulating the whole national affairs according as circumstances suggest or necessity demands. Apart from the problems of ownership and management, which by themselves are of great magnitude, the state, for the success of total nationalisation, will have to take over such incidental and many complicated and complex tasks like savings and investments, cash and credit. This means that our national Government which has already taken upon itself certain important tasks will have to assume more and more, in the immediate period, a

number of important tasks each of great dimensions and difficulties like public health, irrigation and agriculture to make the basic foundations of national economy strong and stable. What is more the defence problem has confronted and taxed the state with the overwhelming responsibility. Besides, the taking over of the industries would involve the Government into great financial liability which, at the present time, it is not able to discharge. It is these financial stringencies of the Government which have gone a great way in delaying and disturbing the early abolition of the Zamindari. Taking into considerations these weighty facts it remains to be doubted if in the initial period the state would be able to undertake additional burdens that would emerge from total nationalisation. Efficient organisation of industry does not simply mean adding up

Difficulties
of State
manage-
ment.

to the list of state enterprises rather it requires an improved administrative machinery and a quality of organised ability which is not easily achieved and to organise an industry as a unified whole is not so easy a task as prescribing and legislating for change of ownership. Even in England where the administrative machinery is much more efficient than that of ours, the difficulties of state management, are considered to be very real and considerable. One of the Socialist experts on nationalisation, Mr. Arthur Woodburn has very frankly delivered himself on this question and writing in the Socialist paper FORWARD dated the 24th March, 1945, he said :—

"Many industries are not in a position to be nationalised.....we might say there is general agreement that the mining industry must be co-ordinated. But how? Shortly the Miners' Federation are to put forward a scheme. Presumably the miners will realise that a scheme which was merely to benefit the miners would be as suspect as the mine-owners' scheme and the Miners' federation will I expect tackle it from the public interest point of view. To convince the public we have to answer doubts in their minds. For myself I consider it quite unconvincing for anyone to argue that the miners will work harder because the state owns the mines....."

"Even some miners say that they can get decisions from the mineowners but it becomes more difficult if it has to go through layers of officials to a political head who has to weigh up all the political

reactions before he can say anything. How then are we to get public control with quick decisions and efficient working? Endless committees may be all right to settle policy but it requires personal responsibility to get action without delay. Experiments in workers' control both in the German Weimar Republic and in Soviet Russia proved this. If we cannot get more coal by working the miners harder can we guarantee that by nationalisation we will not get less coal as the opponents allege?"

It is for these considerations that Prof. Cole has very aptly said that "the sensible Socialist conscious of the magnitude of the tasks which must confront him in any event, will be anxious to avoid widening unnecessarily the range of his responsibilities, and to make use of any existing institutions which can be adapted to serve his ends. He will not want to knock anything over merely to give himself the pleasure of building it afresh. He will have quite enough on his hand with necessary work of creation to have no time left for supereogatory works of destruction."

Added with the imperfections of the state machinery the fissiparous tendencies which have suddenly got a new lease of life will engage the energies of the Government to a much greater extent in maintaining order, peace and tranquillity which are so basic to any economic enlargement. If on the top of all these weighty and burdening questions the Government should wish to take upon itself the task of running and managing all industries with ancillary additional tasks it may fail to perform the old tasks, what to speak of the new responsibilities.

In view of such complexing situation and conditions around us and in order to expedite the industrial development of the country it is very necessary that there should not be total nationalisation of industries in the country. It would be too costly an experiment. Even in England where the Labour party is on the saddle a scheme of total nationalisation has not been envisaged. Leading members of the Socialist Government there have on several occasions emphasised that when their plan of nationalisation is completed eighty per cent of the industries and services of the country will still be left under the control of private enterprise. In this context of circumstances

Total nationalisation—a costly experiment.

and conditions total nationalisation of the means of production is out of question ; it only speaks for a partial nationalisation—the only way. nationalisation—nationalisation of only such industries which are very necessary and advisable and the rest should be left entirely in the hands of private enterprisers. The question that confronts us is what ought to be nationalised then ? It is agreeable that nationalisation of basic and key industries is desirable because of their having national importance of great magnitude. There is much force in the argument that it will not be in the interest of the community that private enterprisers should be wholly in positions of vital points of our economic life. But even in these sectors there is no harm if private enterprisers also are given a place with such limiting conditions as may be desirable in order to augment and stimulate the country's industrial development. The Government may supplement state enterprise of such industries by possible private initiative. But the object of the Government in this connection should be that it should not allow monopoly conditions or any undesirable tendency, on the part of such private enterprisers, to develop in any such enterprise that is left to private initiative and management. Subject to these limiting conditions private enterprise may be allowed but under proper and vigilant control and regulations with a right to take over such or any industry in its own hands when necessity arises so that they may be harnessed to social welfare. Private profit will no doubt be allowed in these spheres of activities but that profit must be considered as a convenient measure and method of rewarding the efforts of private enterprisers just in the same way as wages and salaries are maintained as means for rewarding labour. Immorality lies not in profit-making but in the dominance and priority of profit-motive over national and public service. The long standing relations between private profit and public service must be inverted with no delay when that we are our own master. The drift towards nationalisation is a reaction against the capitalism of the Nineteenth century—a period of economic piracy. It is admitted and all are agreed on the point that the economic piracy of the 19th century capitalism was a case of astounding excess that landed millions of the common man in dire poverty and privation, the effects of which are still too deep even on the present

economic order ; and advocates of total nationalisation have been imbued and spurred by their sad memory or knowledge of the economic plunder by private enterprisers. But at the same time we cannot bring ourselves to believe that this element of reaction should be a happy and thoughtful constituent of the movement for total nationalisation. The present economic ideas have certainly proved that the laws of action and reaction is not only restricted to the field of physics, and economics can no longer afford to be away from this law ; but then one extreme cannot be happily met with another extreme. Extremes give us more or less the same results and conditions though under different forms and names—and more so in Economics. Protagonists of total nationalisation as a treatment for the ills of capitalism are themselves victims of such a wild sentimental economic frenzy. Advocates of total nationalisation are, it so seems, themselves under a hallucination and their prescription is at best a morphia injection which instead of curing the disease will pave the way for being lulled into a false sense of solution and security temporarily only to rise to see the trouble in its former form with other complications and difficulties due to the application of a heavily excessive narcotic drug. The revolt against the economic piracy of the last century should be an intelligent movement of reform and remedy. Nationalisation should always be accompanied with proper system of distribution. This is why it is being emphasised all along that private enterprise should be supplemented by state enterprise where needed with the taking over of such old private industries as are very necessary. Such a double development of the industrial sector—both by the State and individuals—will greatly strengthen the country's national economy. A policy of partial nationalisation, in short, will not only cure the ills of capitalism but will also expedite industrial development of the country.

A scheme of partial nationalisation, instead of total nationalisation all at once and immediately, is scientific in another way. Total nationalisation all at once would be regarded as "fighting against the constitution of things"¹ because of the suddenness of the total change of the existing order of things. The argument advanced by Dr. Pearson, in his 'National life and character', that nationalisation

1. Spencer—Contemporary Review.

which would amount to "the abandonment of individual enterprise in industry is a part of the decadence of humanity"¹, has some force in it when applied to a scheme of total nationalisation at a time. But the indictment that "the suppression of competitive industry in order to cure poverty, physical misery, and social justice, will produce society which is sensuous, genial and fibreless" becomes insignificant when instead of total suppression of competitive industry there is still left a portion of the industrial field for individual enterprise and individual strife in industry. Partial nationalisation of industries will provide enough scope and opportunities for the full and free play of individual initiative and enterprise for the time being which would warrant a taking over by the state only if and when they show unsocial tendency. If nationalisation proceeds with such a gradual pace it would be in the natural order of general evolution.

But the question that immediately arises then is that if the private enterprisers are allowed to continue in certain sectors of Control and regu- industries what control and regulation should be lation necessary applied to them so that they might follow the same for the private social principles, and not the old practice of economic Sectors piracy, which has called forth the necessity for nationalisation ! If the industrial sector left in the hands of private individuals still continues to work according as it pleases, even against the general interests of the community, the advantages that would result from the public ownership and control of certain sector would be naturally diminished by the disadvantages resulting from the latter. In that what is gained by the nationalisation of some is lost by the individualism of some other. It is, therefore, very necessary, for the success of partial nationalisation, that along with public ownership and control in the nationalised sector of industries there should be public control, of course not ownership, of the sector left to private ownership. It is only then that the society can be assured that the community will be able to derive some useful service from the private enterprisers working along with nationalised industries. Now agreeing that in the desirable partial nationalisation of industries public control of private enterprisers is necessary the question that confronts is what should be the form of such a public control on the

1. Hobson—The Evolution of Modern Capitalism.

individual enterprises allowed alongside the publicly owned and control. In other words, what are the proper lines of economic change required to bring about a guarantee that in the socialised industrial structure private methods of production will work for social welfare besides having their own gains and gifts? That is a problem on the solution of which depends the structure of and the economic advantages of partial nationalisation to a country. The answer regarding its solution requires an amplification of the interpretation of the system of industrial evolution on which has been grounded the whole advocacy for the desirability of a scheme of partial nationalisation instead of the prescription of total nationalisation. The task is, therefore, now to indicate some of the main reforms and changes which seem to be laid down for a road of industrial progress during the socialistic tendencies of the age.

When private enterprisers would be allowed to continue alongside some of the nationalised industries we have to guard against two possible defects of private initiative and ownership—

Guarding against two possible defects of private ownership.	(i) waste of economic maladjustment consisting in excessive or defective application of various kinds of productive energy at different points of private enterprises and (ii) the waste of periodic over-production, trade depressions, suffering of ever larger oscillations in prices, irregularity of employment of labour and capital, evils of long hours, unwholesome conditions of employment etc.
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In order to guard against or remove the first defect resulting from the economic maladjustment it is necessary that there should be established a full and free competition of private industries so that there may be a free flow of commerce—labour, capital and enterprise—and widest dissemination of industrial information. "Perfect transparency of industrial operations, perfect fluidity of labour and of wealth would effect incalculably great economies in the production of commercial wealth".¹ Facts about production, distribution, wages, prices and profits are at present treated by individual private firms as "self-regarding"—a sort of "trade secrets". Industrial actions of individualistic firms are, therefore, considered as private but it should be recognised that in the complexity of modern commerce

1. Hobson—Evolution of Modern Capitalism.

and industry every individual action howsoever private in character certainly affects the interests and actions of a large number of people and has, as such, a public import.

More often it is "precisely in the knowledge of those matters regarded as most private, and most carefully secreted, that public interest chiefly lies"¹. But since this character of modern industry is not being recognised by private industrial enterprises the interests of the public are in jeopardy—a defect which has got to be remedied if private industries are allowed to continue along with those

Safeguards for a successful partial-nationalisation scheme

that are nationalised. It is, therefore, necessary that in a scheme of partial nationalisation "direct public scrutiny must be enforced" in the private enterprises so that in the industrial game everybody's hands are on the table before the community. As a practical scheme for enforcing the public scrutiny in private firms it is suggested that "public relations" activity department working under a Liaison officer appointed by Government should be established in every industry working on private initiative and enterprise. The main purpose of such a "public relations" departments of private industries would be to relate industry to the community. These departments, controlled in each industry by the Government, would work on an organised and sustained liaison effort dedicated to the task of co-ordinating the industrial organisation with the larger interests and service to the community. They will not, therefore, be working like sales promotion or advertising but would on the other hand, participate and regulate the development, maintenance and increase of what is known in commerce as "commodity interchange"—Commodity interchange which is now-a-days regarded as the *raison d'être* of modern commerce and industry when looked upon from the public view point. Such an organised liaison of interest between private individualistic industrial firms and the public would result in diminution of the present uneconomic and socially harmful tendency of capital to gravitate into larger and fewer masses, a slow and largely incomplete organisation of labour, the flow of women and children for industrial works, growth of monopolies having power to control consumption and thereby direct the quantity and character of large

1. Hobson—Civilization & Industrial Development.

masses of industrial workers, growth of industrial antagonism etc. etc. A diminution or even prevention of these anti-social characteristics of private individualistic industrial units would largely result in a quick and advantageous operations of the economic forces in private industries. In this way the private industrial sectors, in a partial nationalisation structure, would also be made to develop a tendency of healthy social organism along with those that are publicly owned and controlled.

The second defect of private initiative and control—waste of periodic over-production, trade depression irregularity of employment, long hours of work, increasing employment of women and children etc.—is largely the result of the unfettered self-interests of individuals or group of individuals to enrich themselves at the cost of others by the freest use of industrial means. These social evils are largely traceable to the conditions of modern industrial life where production is controlled and dominated by machinery and also to the “social estimate of machine-products” which extols machinery to a high pedestal which ultimately imparts dominance to machinery. Our reform in this connection therefore should be two sided—towards machine-production and towards the wrong social estimate of machine-products.¹ To guard against the evils it is necessary, therefore, that there should be (i) a proper and well co-ordinated social control over machine-production and (ii) an educative drive in the arts of consumption such as may enlighten the consumers to evaluate properly the utilities and limits of machine-products.

Machinery has got as many evils as it has its utilities. It is, therefore, like a fire ; a good servant but a very bad master. Whether a machinery would serve the humanity and society or would emit evil smoke on them depends largely upon the fact as to how it is handled and controlled. Under the present structure of society and civilization men composing the society are wholly irrational in the sense that these individuals of the social organism are prone to think in terms of their own individual interests and actions and ignore the result and reactions of their own doings upon the society as a whole with dastardly callousness. There is complete lack of what is known

1. See chapter V On Humanisation of Industries.

as social consciousness and individuals are out to enrich themselves at the cost of the community. Uncontrolled machine-production has forced children of six, eight or ten years to work ten hours a day in an unhealthy factory ; it has permitted individual producers to injure the consumers by noxious adulteration of goods, has forced workers to herd together in dens of infection and what not. Machinery, therefore, subject to the unrestricted control and guidance of individual hands, with their own selfish commercial interests, cannot be trusted to work for the general welfare of the society. It is, therefore, essen-

Control of private enterprise tial that even in industries left to private individual hands the state should interfere in their control and guidance by as much restrictive acts and legislation as are desirable and should see that these restrictive legislations are enforced and obeyed by the individual enterprisers in the conduct of industrial activities. "In the execution of the national economic policy it would be necessary to assume that private business in its allocated zone of economic operations should function as an agent of public policy and any marked deviation from the line and pace of development laid down by the State is rendered impossible".¹ At the present time there are a number of such restrictive legislations like the Factory Act, Adulteration of goods Act, Wages Act etc. but they are not enough. The provisions of these acts have not been strong enough to act as deterrants for the evaders. Offences under these acts should be ruthlessly looked into and deterrantly punished. Besides, the scope of these acts ought to be enlarged and widened in order to cover all sorts of anti-social activities persued by private industrialists. It has been our past experience that Governmental staff entrusted with the supervision of the execution and observation of the restrictive legislations have been inadequately doing their duties towards the society mostly because of their being stationed at their head-quarters which are generally away from the actual industrial places. Casual visit of Factory Inspectors once twice or thrice a year is not enough to protect the society from the day to day irregularities of the private industrial individuals ; it requires a vigilant and constant supervision in order to check the evil and selfish tendencies of individuals which can sprawl upon the society even in a moment's opportunity.

1. Dr. Gyan Chand—Public Corporation.

Under the present system of Government supervision the restrictive legislation are either not followed or are very haphazardly applied and enforced in the industrial fields and the safety of public interests are as such grossly inadequate. For a proper supervision

A practical
scheme for the
control.

of industries to guard against any possible infringement and violation of social interests it is necessary that at every place having an industrial location there should be constituted a local board entrusted with the duties and responsibilities of a strict supervision and vigilance over the private industries in the area concerned so that the industrialists are not able to do anything that would injure the interests of the society. Such a local board should consist of Government representative of the nature of factory Inspectors, and two honest and responsible citizens of the locality concerned. Such a local board would be the custodian of the society to protect their interests in industrial activities and their supervision and control would mean social supervision of private industries. This type of social supervision of private production should be more rigorously tightened particularly to those private industries where the size or structure of business is such that the protection afforded by natural and free competition to the society is practically in abeyance and also to such industries where the uneconomic waste and damage of excessive and unhealthy competition is heavy. The social supervision of industries will mitigate as far as possible the evils resulting from these conditions of production and as the tendency of the industries would be persistent towards either wasteful competition or towards monopoly there will be a gradual and continual expansion of state interference and state undertakings; industries left in private hands under social supervision would be brought within the publicly owned and controlled field of industries. This growing and gradual expansion of state interference and state undertaking would ultimately bring about fuller and complete socialisation of industries in course of time—and this would be of the nature of a natural adjustment of society to the new and rising conditions of machine-production. People would argue that such a procedure for the expansion of state control in industries would mean an atmosphere of uncertainty for the private industrialists. But as a matter of fact that is an argument in

the wrong way. Modern industry whether in public or private hands, is becoming more and more collective in character in the sense that the interests of the society is greater to-day than at any time before and such a social interest is growing every day in such a manner that it demands some sort of guarantee that this interest shall not be ignored. Thus when an industry is at such a stage of activity that keen healthy competition without undue economic waste prevails, this social interest can simply be secured and protected by the mere enactment of restrictive legislations and tightening of social supervision of the type detailed above. But the moment an industry reaches such a stage of development or operates in such a way that this social supervision and restrictive legislations are inadequate to secure the social interests involved in them and the moment it appears to the state that social interests are at stake. Social ownership, management and control, either upon national, local, municipal or any other scale as is economically desirable, must be instituted in

The modus operandi of state ownership. place of private initiative and control which becomes harmful to the larger interests of the society. This whole procedure of the expansion of state control and

state undertaking in the industrial field is based on the principle of social industrial organism in which socialisation of industries is a mere matter of evolution which ultimately must take place one day or the other and the state assumption of industries is, therefore, a question of social expediency. Such a evolutionary state control and management of industries is not the suppression of individual initiative genius, as is sometimes supposed, rather on a right interpretation of facts it ultimately means the security of individual property and interests within the limits prescribed by the considerations of social welfare and the larger interests of the community at large. State control and management of industries is, therefore, inevitable and the only question that may arouse curiosity is to know as to how far and how rapidly such a collective control and management will proceed. To this it may be said that as larger and larger number of private industries pass into the complicated conditions of machine-industries and develops wastes and dangers for the society in their attempts to secure more and more money for private individuals, larger proportions will come under the banner of state ownership, management and control. That is how the full rank of public industry would be attained.

CHAPTER III

NATIONALISATION OF INDUSTRIES—II (*Continued*)

There are two recent references about the policies of the Government regarding nationalisation or approaching nationalisation of industries. One of these is sufficiently old and bygone with unscientific elements as it may be called ; while the other is quite new and current one with a scientific and careful approach to the industrial policy. The first is a press communique of April, 1945 in which the Govt. of India outlined their policy. The 1945 policy. they proposed to adopt. According to that communique the Govt. first of all desired to nationalise basic industries of national importance embracing the key industries. Another type of industries indicated there to be nationalised were those in case of which "the tax element is more predominating than the profit element". In this regard it must be first of all observed that there is nothing inherent in an industry which can justify such a classification. As a matter of fact which particular industries can be picked up as a means of tax collecting depends upon the economic condition prevailing and the economic policy pursued. There appears to be no reason why salt manufacture and not other industries like cycle or radio manufacture should be taken as possessing more predominantly the tax element. Besides, the policy of nationalising any industry only for the purpose of raising revenue may lose sight of necessity of economic expansion in the country. Supposing for the moment that the revenue requirements of the country result in the rising of the prices of such commodities above the normal competitive level it will then exercise a restrictive effect on the total demand of the commodities. Nationalisation of the industries is not bad but nationalisation on basis of such a classification is never desirable. Besides complete nationalisation of particular industries the said communique added that "certain industries of national importance such as ship-building and the manufacture of locomotive and boilers will be run by the state as well as by

private capitalists". Perhaps it meant that some industries will be owned by the state and some units by the private enterprisers side by side. Now the question of all questions is that if the state first steps in the industry why should private enterprisers, who are less desirable from the social point of view, be allowed to enter into competition with the state enterprise ? But if it was meant to supplement private enterprise some weighty economic issues emerge from it. If the state entrance into the industry was simply meant for breaking down and foiling any attempt for the creation of the monopoly of the private enterprise well and good ; but if the state participation was meant to be undertaken simply because the industries were considered to be of national importance deserving expansion some complicated economic issues tend to arise. The expansion of production resulting from such a double participations would naturally result in excess supply of goods and so force prices down even to uneconomic levels, the extent of which depends on the keenness of competition, if they were not previously higher than the competitive levels and would thus result in the contraction of private production and waste of resources. Supposing that if a reasonable rate of profit would be allowed to private enterprisers the state investment would mean an additional burden to the taxpayers which financial burden of investment would disappear only if the demand for the products of the industry would increase. This increase in demand of the commodity depends upon the general economic progress and prosperity of the country and the community at large. Instead of going into much details about that industrial policy of the Govt. which does not hold now suffice it to say that it was pregnant with evil economic results and contained a number of defects besides the more important ones that have been detailed above.

The next to be referred to and which is of importance for us is the industrial policy of the Government of India which was passed by the Indian Parliament on the 7th. April, 1948. This is virtually an Industrial Charter for ten years so far as the industrialists, business interests and mill-owners are concerned. It has classified the industries here into five clear cut divisions and makes the policy of the Government

The Industrial
Charter of 1948

clear and definite. (1) War equipments, ammunitions, manufacture of atomic energy and railway operation.....these industries will be completely in state ownership and management. At the time of any crisis or national calamity the Government reserves the right of taking over any other industry in its own hands and ownership. (2) Coal, iron, aeroplanes, steamship, radio, telephone and its wire equipments and new factories for the manufacture of mineral oils etc. will be installed only under private ownership for another ten years at the expiration of which the Government will again consider about their ownership. In the meantime if necessity arises or appears to the Government for taking over the ownership of any of the existing factories the Government will do it. But at the time of nationalising any such private enterprise the Government will pay just and proper compensation for it. (3) State-owned industries will be managed by Public Corporation established by the Government. (4) The manufacture of electrical energy and the management of its distribution have been taken over by a recent legislation and will be managed accordingly as laid down therein. (5) All other spheres of industrial activity will be opened for private enterprise and initiative. But if at any time the Government finds any of such private enterprises working unsatisfactorily the Government will not hesitate taking it over or interfering in it. This is, in short, the new industrial policy of the Government which is to be followed and it may be said that it is a fine co-ordination of idealism and practice. Pandit Nehru, the Prime Minister, as a practical socialist while replying to the charge of young socialists rightly observed that there is a lot of difference between principle and practice and the idealism so much talked about by the theoretical socialists cannot be the basis of practical working.

Viewing critically any scheme of nationalisation of industries as a whole it should be said that a proper "norm" should always guide in the matter of nationalising any industry and there are two important considerations in this regard—the one refers to the time

The Proper
'Norm'

factor and the other to the question of a proper and reasonable compensation. What is carried out must be respected by time otherwise harmful dislocations may result. The British Trade Union Congress in its

Newcastle Session of 1932 very aptly sounded the note of warning that "nationalisation must be gradual and over a long period". Not inaptly if nationalisation is at all prescribed as a medicine for curing some ills of our body organism the doses must be administered prudently and gradually. In the present industrial policy such a 'time norm' has been honourably respected and shrewdly maintained. Considering the economic ills of the country as a whole it has got to be admitted that the disease has been rightly diagnosed and the doses have been prescribed in the right quantity and for the right time. The young socialists fail to realise the importance of such a norm and want their uphill ideal to be built overnight without feeling whatsoever the dangers of a rash and negligent driving. However, young people are not old people and the former are generally swayed by sentiments.

The other 'norm' in the matter of nationalisation is the consideration of a proper compensation. The British Trade Union Congress at its Newcastle session in 1938 rightly pointed out that "nationalisation without compensation would penalise those who, secure in the stability and loyalty of 'public institutions, have endeavoured, within the scope of legality, to invest their capital and to create by their work and industry". The Code of Social Principles prepared by the International Union of Social Studies also maintained that "their taking over is subject to such compensation". When we examine the recent industrial policy of the Government we find that the 'compensation norm' has been well provided in it.

Besides all these, monopoly question should also be one of the governing norms in determining what ought and what ought not to be nationalised. Considering the tyranny of those having monopoly power it seems desirable in the social interests to nationalise such industries on ethical as well as on economic grounds in order to deny individuals the great economic power they carry with them which, as a matter of fact, should be exercised by the state as the representative of the present community and the trustee for the posterity. The attitude of the government gleams through its recent industrial policy and the note of warning which it contains—that if any industry run by private enterprisers is working in an unsatisfactory condition the government will take it over—provides sufficient

safeguard against such an inroad and the danger of monopoly or the unjust working of the industries. It thus recognises by implications the socialist preaching that industry is not organised to enrich individuals at any cost to the community and therefore has laid down that individuals cannot be permitted to pursue their own interests and inclinations, however random, at the expense of the society. Very recently when the cloth prices were soaring high after it was decontrolled, Pandit Nehru in the same spirit gave a warning that he would nationalise the textile industry if the millowners would not see their way. But there are people who object to taking over of the industry for eliminating monopoly conditions. They maintain that there are three alternatives,—monopoly, nationalisation and break-up of the monopoly; and it is always better to adopt the last alternative instead of nationalising the industry outright. On face of the argument it appears to be quite reasonable, but on proper examination it betrays lack of close consideration and appreciation of all the facts involved. The argument for the break-up of monopoly or the restoration of competitive conditions by declaring illegal the various forms of monopolistic combinations is pregnant with difficulties and inherent pitfalls. The recent rise of cloth prices and its great smuggling into Pakistan showed that in spite of severe and prompt Government measures the heavy smuggling could not be totally stopped. It has got to be admitted that in the struggle of wits between the businessmen and the Government the former is always one trick ahead and has apparently one more trick-card to play when the present trick has been trumped. The method of breaking up of monopoly can at best be applied only to the temporary forms of monopoly associations. It cannot at all be possible even for the shrewd industrial scientists to disintegrate a monopoly into its atomic parts and renovate atomistic competition based on fairness and social justice. In such an attempt a single monopoly is disintegrated into a small number of individual units and the competition of a few firms is entirely different from the competition in general. Besides there being the difficulty of determining the price, the price policy of each of such units will greatly depend upon how one thinks and changes one's views and how others will react to these views or change in views. Willing co-operators can only be

turned into unwilling competitors but this will not bring any change in the previous policy and becomes tantamount to the same old conditions.

The other norm essential for the adoption of nationalisation is the common good—which term embraces within itself those different forms of industry which carry with themselves an opportunity too great for being in the hands of private enterprisers who will simply exploit the public at large. It thus covers industries like hydroelectric power stations, electrical energy, war munitions, public utility concerns etc. The government's industrial policy fully and finely incorporates such a norm in their policy of nationalisation.

There are people who believe in the futility of nationalisation on the ground that the state cannot manage the industry in an efficient way. Such people belong to the school of Mr. Harold MacMillan who once remarked in the House of Commons on November 20, 1946, that "the government's functions are strategic, and those of the industry and commerce tactical. The two functions should not be assumed by the same body specially when that body itself suffers from red-tapism, nepotism, inertia with constant change of hands and heads taking place". Such persons who question the expediency of government ownership and control have got a misconception and, therefore, they have more doubts about the ability, stability and wisdom of subjecting industrial concerns to such fickle and changing bodies as the legislature or local authorities with changeable boards and committees than about the organising capacity and efficiency of those who are in charge of these boards. There might be defects in the system of administration to which a nationalised industry is put but it cannot prove in any way the undesirability of the scheme itself. Some particular defect in the system of management of some particular object which has been newly taken up for the common good and for the mass betterment does not mean that the object itself be given up and neglected as before, but simply points about the necessity of improving the methods of management. Some defect or mistake in the treatment of a patient should never mean that the patient be left on the bed crying in agony but it simply suggests and necessitates a better method of treatment. The world would never have progressed if such a diffident attitude would have been taken. A

from of administration that can at best secure at once the continuity of industrial policy and consideration of interests broader than what a private enterpriser can think of would be the best measure to ensure a safeguard against the bureaucratic methods and nepotism of the defective administration. Total nationalisation, of course, is not prescribable at this time here, as the Government of India is at present of opinion, for it amounts to collectivism overnight for which the social and the economic conditions of India do not allow; for the time being partial nationalisation deserves its adoption and any balanced judgment with regard to the future must be based on a 'wait and see'. As Mr. Hobson remarked, "the future will provide the tests of these claims on behalf of nationalisation of industry. Meanwhile nationalisation must be regarded as on trial and therefore should be attempted halfway".

The Industrial policy of the Government of India of the 7th April, 1948, envisaged the establishment of public corporations for the management of industries taken over or run by the Government. The constitution and operation of public corporations have been the most significant development of the recent industrial history and have gained wide recognition and attention all over the world. The establishment and successful functioning of a number of public corporations in the political and economic strategy of the last war gave added impetus to this industrial innovation. The underlying idea in the establishment of public corporations for running industries has been to provide an escape from the display of irresponsible economic power,—power acquired by the possession of wealth by self-seeking individuals regardless of social welfare. In India particularly, the growing inroad of the private capitalists and the resulting haphazard, halting and lopsided development of industries have given growing realisation about the urgent and virtual necessity for an industrial planning on a national and social scale for achieving industrial stability and securing peace and development in the country. What is more, it has also been clear "that public corporations, in one form or the other, have to be made instruments for the introduction and working of a planned economy. They are, taken together, as an important development in the field both of political and economic institutions, because,

with the state assuming a determinant role in the initiating and carrying out of economic policies, all economic policies become a matter of political judgment and decision."¹

Public corporations have assumed various forms to suit the functions entrusted to them. Generally, when a state owns and operates any economic enterprise it specially constitutes a board or *ad hoc* committee for running the enterprise. Such a board or public corporation not only plans and controls but also administers and operates the enterprise. Public corporation for the control and conduct of nationalised industries, as indicated by the Government of India's Industrial Policy of April, 1948, is to be of such a type and nature. Besides such types of public corporations, there may be its quite another type which executes public policy and fulfils social purposes by merely planning, investigating, regulating and controlling without actually administering or running the enterprise. The Damodar Valley Corporation in India, the Tennessee Valley Authority in America, the Port of London Authority in England etc. are examples of such latter type of public corporations.

Ever since the announcement of the last Industrial Policy by the Government of India about the establishment of public corporations for the management of state enterprises it was thought that Government would specially constitute a statutory board or corporation for the management of such state enterprises in which private initiative or capital would have no hand at all. It was thought to be a purely public corporation controlling and operating a purely public enterprise with private hands having to do nothing with it. But the Government which in its industrial policy of 1948 indicated the necessity of having in India, at least for the present, a combination of public and private enterprises as a method of development of economic resources in India, has also emphasised the same principle and policy even in the management of such industries as the Government likes to run itself. By a recent announcement about the conduct and control of state industries the Government of India have indicated their policy of running such industries

Joint stock company principle for State industries.

1. Dr. Gyan Chand—Public corporation.

on 'Joint Stock Company' principle. The management of Sindri Fertilizer Industry, for example, has been organised on Joint Stock Company line and it has been decided that besides the Government of India owning the majority of controlling shares in the name of the President of Indian Republic its shares would also be distributed among and owned by the different State Governments and a limited number of shares would also be floated for being subscribed by private individuals. As in a Joint Stock Company the affairs of the industry would be looked into and controlled by a Board of Directors of which the Chairman would be nominated by the Government of India. The Board of Directors, on which also the Government of India would thus have a controlling voice, would in its turn be guided and controlled in the conduct of the affairs of the industry by the Central Government Ministry which would ultimately have a final say in all matters. The management of the industry will be reviewed periodically and the Board would be accountable for its day-to-day policy and administration. The rate of dividend payable on the shares would be controlled by the Government to check undue acquisition of wealth by private individuals than what is socially desirable.

It appears that even in the running of State enterprises the Government seeks and endeavours to encourage, mobilise and tap

Private co-operation in State enterprises. private resources and canalise those private resources and reserves to such industrial activities as are within the bounds of public or social welfare and as can fit in and accord with contents of the present society which has been characterised by R. H. Tawney as functional as distinguished from the acquisitive society in which profit economy of capitalistic regime was so prominent.¹ Such a combination and co-ordination of private resources with the publicly owned and managed industries, besides eliminating the pernicious effects of private capital and competition, would ensure a new outlook in the industrial and social sphere which would ultimately mean that wealth would become the servant rather than the master of man. For this purpose, further more, it would be very necessary on the

1. For a detailed discussion on this point, see R. H. Tawney—The Acquisitive Society.



part of the Government to see that private shareholders are in no position of strong authority in the management of industry and that they are simply entitled to a low rate of dividend on the capital invested without any title to industrial control or higher profits. The private resources engaged in such State enterprises are more for the performance of the social duties towards their society than for their rights to acquire wealth with wealth. The Government, on the other hand, in seeking their investments in State enterprises has an aim to protect their private asset as invested in such State enterprises, not for a mere individual enrichment but better as an individual asset acquired and maintained for the discharge of social obligations.

As the range of State activities expands and is extended to other industries of the country the number of such public corporations charged with the function of performing economic activities on behalf of the state will gradually and greatly increase. Need for a Co-ordinating Board. The number of such corporations, running state enterprises, having increased further and further, it will be very necessary that their activities are co-ordinated and inter-related. If each Corporation or Board is worked and conducted as a self-contained unit without having to do with the policy and position of other corporations there will not only be a conflicting development of the industries but would also result in industrial confusion and waste of much of the economic resources and reserves. In future, therefore, it would be necessary for the Government of India to create a central Industrial Co-ordinating Board which will remain in close touch with all corporations conducting and managing state industries. Such a central Industrial Co-ordinating Board would unify the administration and development of all public enterprises and work out socially desirable norms and standards for industries run by the State.

Such industries as are run by the State would have a virtual monopoly in the production and distribution of the goods, and it is therefore very essential for the Government to see that besides having a social purpose behind such a State monopoly, it remains immune from the besetting sins of all monopolies like self-complacency, false pretences and deadening callousness. As such State

monopolies will not have the impetus of work from the stress of increasing profits under the general competitive pressure these state enterprises will have to develop the working impetus from within. Instead of being motivated by the thirst for higher profits it would have to be impelled by a quest for devising ways and

Vigilance
required.

means by which the community at large can get better service at cheaper price. It will require constant vigilance by the Government to see that

the corporate feelings of the Boards or Corporations for the management of such industries does not degenerate into red-tape, and a pride into the exaggerated sense of their own importance, as is usual with the departments of the Government, and general slothness and sordidness. In order, therefore, that these State enterprises will be able to develop *esprit de corps* it would be necessary that in the management of such industries the Government does not indulge in the usual and traditional multiplicity of rules and regulations and too much regard for precedents and established conventions.

Need for an
Industrial
Service Cadre.

For the best management of these industries, further more, it is desirable that the Government should open up a new cadre of Indian Industrial Service like those of the Indian Administrative Service or Indian Police Service etc. The personnel of the State enterprises in industries would be selected and appointed by an Industrial Public Service Commission consisting of experienced and expert industrial and business members. These selected industrial personnel before being posted in different industries should be sent for suitable training both in and outside the country. Organisation and development of such a cadre of service will no doubt take some time but if the Government, having regard to the needs of industries which it is running or would run, takes up a well thought out plan and policy there would be at a time no dearth of suitable and trained industrial personnel to man and run the State enterprises on fruitful and socially desirable channels.

CHAPTER IV

RATIONALISATION OF INDUSTRIES

India is facing to-day a crisis of production. The cost of living index is rising almost every month. Prices of essential goods are ever shooting up. The scarcity of cloth and other similar consumers' goods were not as acute even in the days of full-fledged last Second World War as it is to-day. The continuing deterioration in the economic condition of the country has brought over-burdening distress upon the large number of people, particularly the middle classes. The general picture presented is one of complete exhaustion and running down of our economic machinery. Production all along the industrial line has fallen considerably below the peak of capacity. Our industrial efficiency is very low in comparison with industries carried on elsewhere and this is on account of our working with old and obsolete plants, lack of efficient organisation and control, total absence of scientific management and optimum size of production. The industrial problem is, therefore, very grave inasmuch as in the industrial race we are not only lagging far behind but are in the imminent danger of falling down with a crash. The industrial problem which we are facing to-day is thus of a very great import and imperils the economic stability of our country ; economic stability—on which is ultimately based our whole existence. This crisis can only be overcome by a supreme industrial effort for the improvement of our industrial organisation and efficiency. In other words, if we want to maintain ourselves, our industries must begin rationalising themselves now and at once.

Picture of Indian Industries.

But what rationalisation means and includes exactly ? The term 'rationalisation' which is synonymous with technical progress may be used of such effects of large-scale and better methods of production and of the more efficiently and broadly applied system of what is called scientific management. The term rationalisation which "appears to have first come into economic use in Germany in the

post-war years of inflation and economic derangement to denote the type of organisation and leadership under which, it was in some quarters contended, German industries must more than ever be arranged in order to stand firm against threatening dissolution", is more than necessary to be understood and adopted by the Indian industries as they are to-day in a worse plight than what the German industries were in that post-war period.

What rationalisation means.

Rationalisation implies in itself the right organisation of industries considered as types of Governments, the producers being so related as to enable such efficient and up-to-date policies to be applied as works specification, standardisation, non-destructive elimination of the weaker links from the industrial chain, the control over the new entrants in the industrial race and this in turn indicating some degree of monopolistic checks and control of some or the other kind.

The World Economic Conference held at Geneva in 1928 defined rationalisation as "the method of technique and of organisation designed to secure the minimum of waste of either effort or material". The underlying idea is the socialistic conception that individuals should not be permitted to pursue their own individual interests and inclinations, however random, at the expense of the community at large. Rationalisation is, therefore, a sort of "semi-compulsory reorganisation" which seeks to abolish wasteful and unnecessary competition among the different weak industrial undertakings and aims at co-ordination and combination to secure "a gain from growth by combination where there is no gain to be secured from growth by expansion".¹ But there are some difficulties in securing such a gain because combination does not easily result from the consideration of such a gain inasmuch as the gain from advantageous combination may result from the elimination of those very firms or individuals who have to decide about combination. Thus in a large majority of cases it so happens that industrial firms which might profitably combine for the sake of industrial efficiency do not like to combine either because they feel about their

1. Robinson—The Structure of Competitive Industry.

own elimination or because they prefer a weak but independent personality to a strong but subordinate individuality in the large combined unit. The one great purpose of rationalisation here is to overcome the resistances of weak individual industrial units to the establishment of a co-ordinated and combined units of optimum size. It seeks to eliminate the inefficiency of small-scale marketing and distribution ; secondly, like a veteran field commander rationalisation does not believe in a large number of weak, degenerate and infirm units but prefers better to have a few well-knit, organised, sturdy and strong organisations. As in war so in industries it is not the many but the muscular that yield results. Rationalisation, therefore, embodies, as its second purpose, a scheme to concentrate production in those units only which are best equipped and efficient to undertake it, and to close down the weak, degenerate and, therefore, less efficient establishments. Continuance of inefficient and weak firms in the industrial field can only cost the consumers ; it cannot benefit them. It would be borne in mind that such an imposed interference for the concentration of production in the best equipped units and for the closing down of less efficient establishments is necessary when competitive conditions are not so well manifest as to bring out this desired change automatically. If there be perfect competition in the industrial field a contraction of output resulting from a decline in demand would automatically result in a complete and compulsory closing down of inefficient industrial units and the resultant concentration of production in the remaining most efficient units. Imposition and interference is, therefore, only necessary when there is imperfect competition among the industrial establishments. It is thus clear that rationalisation is prescribed as a pill for the cure of the ills of industrial productivity showing clear symptoms of inadequate and unscientific competition—not an excess of fair competition. By a compulsory combination of firms it, in other words, aims at limiting the varieties of products which are unnecessarily wide when there are unnecessarily a large number of un-optimum producers. Rationalisation thus saves the great waste indulged in by un-optimum producers to attract customers. The different uneconomic-sized producers, in order to attract customers, and so to prolong their

existence, indulge in economically wasteful varieties of products which means greater costs for the producers and higher prices for the consumers. Poor consumers ignorant of the shrewd tactics of producers and easily susceptible to their manoeuvrings fail to understand that they are not given cheaply what they want but they are forced, or better misled, to want what the producers bring before them. Rationalisation seeks to eliminate such an economic waste by introducing industrial standardisation in production. Rationalisation is, therefore, only another name for simplification. When the quality of product is simplified by standardisation the producers can produce more and with efficiency and accuracy, acquire greater skill and strength and need less capital for the production of such goods. Standardisation does not simply bring advantages to the manufacturers but puts the wholesalers, retailers and the salesmen and the consumers to advantage by simplifying the process of marketing and sales and lowering the prices. Rationalisation thus increases the economy of industries by securing an increase in the efficiency of the utilisation of factors of production. Before 1922 in American hospitals the beds for patients were of different sizes. But President Hoover, perceiving the great waste in the production and maintenance of a varied type of beds, introduced standardisation in the American hospital beds which has exercised great economy by fitting a patient to any one bed of standard length, width and height. In other words, simplified practice and production has got a great value in the industrial field. All these are expected to secure large reduction in costs and prices.

The next aspect of rationalisation may be regarded as falling within the range of planning. There are a large number of industrial units at different places and of varying sizes; some are doing well, while others are not, some are in an advanced state of efficiency, others are quite backward. As a matter of fact there has not been right investment and judicious operation. For a proper and healthy development of industries in India it is very necessary that the investors, and more particularly those of moderate means, should be forced to invest, or to alter their investments already made, in a judicious manner and method to secure effective industrial and commercial results from their own points of view and more particu-

larly from the point of the national economy as a whole. Most of the industries already established in India are as much a problem as the new ones which may be established. Even the cotton industry which has the longest standing in India and has made considerable progress are faced with great problems,—problems of organisation, investment and technical progress,—which await, and even defy, a quick solution. A very careful and detailed analysis and enquiry into their working would reveal a colossal waste of men, money and material which are still unchecked on account of their faulty investment and erratic organisation and development. Such unplanned industrial organisations need what may be called 'Strategic Rationalisation'. With this end in view, another purpose of rationalisation in Great Britain is to alter the supply of available capital and labour, or of the product itself by quick steps so that the losses of the manufacturers are reduced to the minimum and their profits increased to the maximum. It should, as a matter of fact, be the industrial rule that when there is an excess capacity in the industry it must contract and be brought back to normal conditions of industrial health. Under ordinary circumstances this is done by lowering of profits and wages and thereby increasing unemployment and bankruptcy instead of by a quick adjustment achieved by closing down unnecessary units and by the formation of a combination through state help. "Rationalisation, thus, becomes the substitute of anæsthetic surgery for industrial gangrene."

What rationalisation thus ultimately seeks to aim at is the control of economic and industrial activities through the application of scientific methods of production and the purposive direction to the various systems of production, distribution and consumption. It therefore tries to make the industrial race a fine and magnificent display of the industrial energy and initiative by eliminating the misdirection, miscalculation and unwise steps of the individual competitors and to finally co-ordinate their efforts for remunerative antagonism for efficiency and brotherly rivalry in lowering the cost of production.

Rationalisation thus rules out the proposition that industry is organised to enrich individuals at any cost to the society. It thus relegates and shunts back considerations of self or individual interest

or inclination to a very inferior place. But this should not be construed to mean that personal initiative and personal effort for gain is prohibited in the economic field. rather the main objective of rationalisation is to increase individual and national income by some methods of control and supervision, alteration, modification and organisation, either by state or otherwise, combined and co-ordinated with better technique and better organisation.

Successful industrial enterprise means sound policies at every turn.

Sound policies. Sound policies mean sound leadership and sound leadership means efficient control, and to control it efficiently it is necessary to control the whole part of it and to reconstruct and reorganise all the elemental parts of the huge industrial machine. Right organisation of industries gives a hold over the market and means the organisation of industries against the inroads and uncertainties, inefficient production, overlapping and weak distribution and selling. It is this type of organisation which is otherwise known as industrial rationalisation.

Industrial excesses, destructiveness and anarchy of modern industrial competition is checked and controlled and replaced by stability, economic levels, productiveness and peacefulness. The resources involved in the industry are personal and subject to the risk of loss. It is regarded as of national importance that resources should not be wasted or lost at any cost and the desire of rationalisation appeals to this conception of general national economy. Such an industrial organisation may be got either by fighting it out—the method of bankruptcy and insolvency—or by some kind of absorption or amalgamation in one well organised unit.

What national interest wants and what rationalisation seeks to accomplish is that the fringe of smaller business is more rationally dealt with, the unintelligent mass of consumers are served cheaply but finely. The poor community is saved from the charge upon them through higher prices due to over-investment and that the potential industrial energy is conserved and not fritted away. Again such an organisation can be maintained by steps taken to prevent or impede the free entrance of new-comers without showing sufficient and satisfactory bonafides of their industrial identity. Development is desired from within as far

as possible through the democratic discretion of one governing body.

With the growth of rationalised business management a change takes place in the relation of price determination to the dynamics of productive flow. The management of price under rationalised industries is to be a compromise between the interest of the consumers, the shareholders, provision for the needed development to come and reserve for contingencies and contingent liabilities.

Scientific Management & Rationalisation

At this stage of discussion misconception is apt to arise between the two overlapping terms 'scientific management' & 'rationalisation'. As a matter of fact the two are not one ; and the distinction between the two is the difference between the whole and part. As economic concepts, scientific management connotes the best organisation of an industrial unit and is essentially an industrial scheme of waste reduction ; rationalisation, on the other hand, pays more stress and attention to the economic side of the business—the conscious planning of the whole industrial economy of the whole nation. Again the size of the industrial organisation differs with each of the two. Scientific management may not lead to and result in combination ; whereas trustification of some form or the other is essential and characteristic feature of any rationalised scheme of industrial organisation.

In practice rationalisation often lifts its eyes from below the simple technicalities and contemplates the further and wider horizons of business and looks to the larger problems of the industry as a whole viewed from the economic and national view point including even scientific management. Both are mutually essential for one another, merge into each other and are like the various fabrics or strands adding to the beauty, by their variegated colours, of the rationalised carpet which they compose.

Rationalisation does not simply mean the scientific organisation of simply plants and machineries but includes the "scientific organisation of labour, standardisation of both materials and production, simplification of processes and the improvement in the system of transport and marketing". Thus it implies a complete revolution in individual conception of industrial management demanding a new spirit involving a thorough change in the attitude of those running the industrial race.

It creates a new outlook not simply for the immediate purpose for which the industry is maintained but also for the ways and means, methods and manners of scrutinising and solving the countless complex problems that come up in course of the constant industrial activities of diverse types. Rationalisation thus involves not merely a change of technique but of thoughts as well.

Not only the actual scientific discoveries are recognised and taken account of in rationalisation but also the mechanism of thoughts evolved by the physical sciences are applied in solving problems that the dynamics of business brings forth at each turn. Rationalisation thus includes within itself a wide variety of things and aspects including psychology as applied to the working life of individuals in industry and research bearing on the problems and systems of wage payments, profit-sharing, co-partnership, works council etc. Rationalisation is, therefore, an industrial term which can be used in two main senses—narrow and broad. In its narrow sense rationalisation implies a system of business management which is akin to, but less than, what is called scientific management. Considered from this point of view it aims at increased productivity by means of experiments with the help of better workers, right division of labour, scientific system of wage-payments etc. Like the system of scientific management it attempts to improve industrial productivity by experiments and analysis but it is something less than scientific management proper because under rationalisation the experiments and analysis are not so detailed and thorough-going as under scientific management. The experiments under rationalisation do not involve either such a lengthy process or expensive procedure of analysis and observation as under scientific management. Rationalisation is after all a short-cut to scientific management and that is why it is preferred as a substitute for scientific management by many industries. But in the broad sense its scope is much wider and beyond the mere production department of an industry ; it aims at re-organising and re-orientating the whole industry in order to increase the industrial efficiency to the maximum.

How to achieve rationalisation. Rationalisation involves and implies several aspects and may be achieved in several ways. But generally it is achieved on three different lines. There may thus be only a

financial rationalisation resulting in the elimination of unnecessary duplication of plants and equipments preventing the overcapitalisation of an industry. It brings forth an integration of industries—either vertical or horizontal or of the lateral type. This is how after the foundation of the U. S. Steel Corporation, Judge Grey stated that the combined firm required 50 per cent less capital than they had needed before as independents.

Rationalisation may mean also simply the standardisation of types and the substitution of hand labour by machines. Rationalisation thus endeavours to secure the maximum of industrial efficiency with the minimum of efforts. Economic and human resources are fruitfully utilised, cost of production goes down, prices stand reduced and the general out-turn of products is levered up. To the producers and the businessmen it will mean higher and greater profits, to the consumers it will mean lower prices and cheaper goods and to the wage-earners a better and higher reward for labour—ultimately leading to contentment and happiness all around.

But in spite of these achievements and advantages on its credit side, rationalisation is opposed by some on technical grounds and

there it is faced with some difficulties. Firstly, it is argued that as rationalisation brings consolidation and integration of industries it is bound to result in

Objections to rationalisation. monopolistic combination with dictatorship over prices. Adam Smith once remarked that when several competitors combine the result is some conspiracy against the public. But in an economic analysis it is not the monopolistic combination that is bad; rather to some extent it is necessary for stability of industries in general. What is undesirable actually is the monopolistic price dictatorship, and if rationalisation yields such a price dictatorship it is definitely not a desirable social or economic fruit that should be aimed at. But it should be recognised that monopolistic combination in rationalisation schemes is something else, while the administrative idea of price policy in such a scheme is worked out with a large factor of compromise to suit the community at large. The defence of rationalisation is just this difference between the administrative and the monopolistic prices or at least a claim that there is such a difference.

Next it has been argued that rationalisation calls for a high

degree of technical and business ability to control industry which may not be forthcoming readily. But it is merely foolish to suggest that such capable individuals may not be found. The history of American Trusts in particular, of English and German combinations to some what less extent bears eloquent testimony to the ability of individuals not only to create but also to control giant organisations. Though such men are not easy to be found it may be said that when an industry has passed through the first period of fundamental re-organisation "the qualities in its leaders are those of the civil servants rather than those of the adventurers". If that is the case there is every reason to believe that the rationalised industry will survive with undiminished vigour and efficiency.

The requirement of a large fund of capital for the carrying out of any rationalisation scheme is the other difficulty pointed out and this is real and serious. The failure of the ambitious rationalisation scheme in the Bombay mill industry and the abandonment of the merger plan of over 30 mills in 1931 due to financial difficulties are cases in point. But this is a difficulty which is not insurmountable. Capital may be lacking at one time for certain reasons but it may not be the case all the time. Instead of becoming despondent, therefore, over this, it is expected that looking into the advantages that rationalisation can bring for industries the different industries effecting a scheme of rationalisation would pull together and pull vigorously; and when there is a genuine and sincere industrial understanding regarding the utilities of a rationalised scheme there would be no difficulty arising out of capital consideration if the different industries concerned with the scheme work on a co-operative basis to collect the necessary finance for rationalising their industries.

The most serious charge, however, against rationalisation is that by eliminating the less efficient units and introducing more machinery it creates technological unemployment. "All industrial efficiency consists in trying to do with eight men what we have hitherto been doing with ten men. It consists in creating unemployments¹". Thus in 1921 when Sir Henry Ford rationalised his industry he was able to reduce

Technological
Unemployment.

1. Robinson—The Structure of competitive Industry. P. 2.

the "number of workers employed for every car built daily from sixteen to nine." Rationalisation has always released some workers from employment from the industry thus re-organised. So long as this released workers remain unemployed rationalisation may be regarded as an evil ; but if there is the scope, provision and facility for the reemployment of these unemployed, rationalisation is clapped every time it succeeds in adding to the unemployment figure. Thus if there is the curing of this consequence of rationalisation there is nothing to fear that rationalisation will necessarily leave an army of workers unemployed and unprovided. If there are enough of savings in the country, if business enterprise is well developed and prices and business conditions are optimistic the persons released due to rationalisation are reabsorbed in some other industry. Contrary to the popular belief the introduction of machinery enlarges the sphere of labour and tends to improve their conditions in course of time—an economic concept which the average man does not realise on account of his being lulled into his belief in the "lump of labour" theory. Thus any sweeping remark on preconceived notion that reorganisation in industries must necessarily mean increasing unemployment is based on this "lump of labour theory" according to which, in short, labour released by machinery and industrial reorganisation is labour unemployed and nothing more.

Whether rationalisation will ultimately result in actual unemployment or it will end in re-absorption of the released workers depends upon the time when rationalisation is carried out. If rationalisation carried out is well-timed and there is rising prices, brighter prospects, increasing demand from consumers there would be no difficulty in re-absorbing the already released. Not only the present demand of the consumers but also the expected future wants of the consumers act as a stimulus to the business community in making investments to meet these present and the guessed future wants of the consumers. All these result in the acceleration of the productive machinery which ultimately means the increasing employment of the unemployed. But if rationalisation is carried out during a period of falling prices unemployment may result. For during such a period the business enterprise is slow, profit low and on account of a clouded business sky the vision and instinct of the business community as a

whole is so limited that the "intelligent anticipation of future wants" by them is delayed and because of there being a general depression in trade and industry they either do not possess the will to undertake investment and production or they have not the proper means for business undertaking and the released workers thus remain unemployed instead of being absorbed.

There is still another argument regarding unemployment resulting from an ill-timed rationalisation which though quite plausible on its face loses its force on closer analysis. It is thus also said that if rationalisation is carried out during a period of falling prices unemployment is bound to persist because during such periods wage levels do not fall in proportion to the fall in prices and businessmen in search for economy try retrenchment; and on account of the disparity between price level and wage level the retrenched workers are not absorbed in any industry which ultimately results in the persistence of unemployment. But a closer examination of the argument advanced shows that things are quite the other way that is true. Rationalisation instead of aggravating the retrenchment evil simply cures it. What exactly happens is that purchasing power is not destroyed; at times only its direction is changed. A decrease in demand for one commodity is simply followed by an increase in demand for some other commodity. Thus industries having the increased demand for their products, due to a shift of the consumers' wants in their favour, can offer scope and facility for the absorption of retrenched workers. Moreover, as rationalisation by its prevention of wastes and unnecessary duplication results in reduced costs of production and the accompanying fall in prices of the goods encourages the consumers to buy at a reduced price what they previously did not like to buy because of high prices. This has a double advantage. Firstly, lowering of prices because of reduced costs of production not only increases the present wants already existing in the market but also creates new wants and thereby creates a wider market for the industrial production which ultimately means increasing production, greater profits and encouraging investment and better and greater employment. Secondly, because of this cut in costs and prices consumers are able to buy the same amount of goods by spending less and thereby there is an all round

savings both by the industries themselves and the consumers—savings by the industries because of reduced costs of production and savings by the consumers because of the cheaper goods. In Soviet Russia when Stakhanovism, a term used for rationalisation and scientific management, was developed in the middle '30's it was quite commonly attributed by Stakhanov himself, the pioneer of the movement for the rationalisation and scientific management of industries, and after whom the movement has been named and known, that it would save enormous capital in the country. "Part of the effects of Stakhanovism, it is true, was capital saving. This had two aspects: first, it increased the output from a given plant; secondly, it enabled a given volume of current investment to "go further" and hence ultimately to be more productive".¹ Speaking of Stakhanovism in the Russian shoe and boot industry and the resultant savings thereof Liubimov, Commissar for Light Industry made the following observations on the 21st December, 1935:—

"The Stakhanov movement in the Shoe industry will enable us to fulfil the five year plan with the old factories and the new under construction and to abandon the idea of constructing the two new shoe factories provided for in the second five year plan at a cost of 36 million roubles each, thus saving 72 million rubbles".²

Such savings by the consumers and the industries are the rational savings as such and can be tapped for such other fruitful investments as may appear necessary and more advantageous for the general well-being. If these savings are hoarded the industrial prospect after rationalisation is not bright, for in that case there may not be further and fresh openings for the absorption of the released workers. But rationalisation by reducing costs, encouraging consumers' wants and increasing profits opens up fascinating fields for fresh and further investments of their saved money both by the general public and the industrialists. In the long run, therefore, as a result of larger and more efficient production, decreasing costs, lower prices and better standard of living unemployment will fall off. There may be some temporary mal-adjustment at first but there will not be increased unemployment.

1. Dobb—Soviet Planning and Labour.

2. Soviet Union 1936 page 468 (as quoted by Dobb in his Soviet Planning)

Beside, these temporary maladjustments arising out of rationalisation can be very much toned down if the management of the industries are made such that the workers themselves are able to inculcate and initiate the rationalisation of their working methods as in Russia. That way rationalisation can work wonders, and industries and industrialists instead of being an object of attack and criticisms will be taken into confidence and credit.*

In India this question of rationalisation of Industries vis-a-vis effective measures for the rehabilitation of retrenched industrial personnel has closely been examined by the Planning Commission. Under the auspices of the Planning Commission the Sub-Committee of the Industries Development Committee, comprising representatives of workers and employers and presided over by Shri Gulzari Lal Nanda met on the 22nd April, 1951 to consider the question of the rationalisation of Indian industries in the light of the problem of retrenchment and rehabilitation resulting from rationalisation methods. Some very important and interesting discussions were held and the Sub-committee reached at the following broad conclusions :—

Recommendations of the Sub-committee of Industries Development Committee.

1. That every effort should be made to take effective measures to minimise the effects of unemployment arising out of rationalisation.
2. That an effective scheme should be formulated and worked out for the rehabilitation of such unemployed workers and also for providing facilities for training and maintenance during the period of training of such workers.

3. That the workers should receive a proportionate share in the gains of the industries out of rationalisation due to the additional efforts of the workers themselves.

4. That a permanent Joint Board consisting of representatives of the Government, workers and employers should be set up for the implementation of the various proposals made out regarding rationalisation and the consequent rehabilitation.

The subject of retrenchment as a result of rationalisation was

* See Chapter V on 'Humanisation of Industries'.

a matter of detailed consideration by the Sub-committee and it made some further interesting observations about it. It was the opinion of the Sub-committee that retrenchment should be the minimum necessary and resorted to only when there is full justification for it. In other words, it meant to emphasise that retrenchment should not involve victimisation on the plea of rationalisation—a fear arising out of our experiences of the capitalistic methods of production. Secondly, the Sub-committee recommended that retrenchment should be confined only to those who are “freshly employed”. Thirdly, it was opined that subject to the availability of raw materials, capital goods, demand for production etc. there should be an extension of machinery to absorb the labour force rendered superfluous due to technological improvements in industries.

As effective measure to minimise the effects of unemployment that may arise as a result of rationalisation the Sub-committee further suggested the stoppage of fresh recruitment, non-filling of vacancies arising out of retirements or death, offer of employment of the surplus labour forces in other departments of the industries with the same pay and service and encouragement of voluntary retrenchment by payment of gratuity by the industries.

On closely examining the recommendations of the Sub-committee about rationalisation and rehabilitation one obvious fact that emerges out is that the Sub-committee's recommendations are defective in two senses in that (i) it has thrown all the responsibility for minimising the effects of unemployment, due to rationalisation, over the employers and in that (ii) “in its efforts to minimise retrenchment it has virtually branded out only the new comers and has thus suggested that retrenchment should only be confined to those who are ‘freshly employed.’”

Any system that shifts the responsibility of minimising the effects of unemployment only on one shoulder cannot succeed. In minimising the effects of such unemployment there must be a triangular effort—efforts on the part of the Government, employers and the workers; unless they all pull together nothing can be expected of it. Ours is an un-developed country of underdeveloped economy with poverty in its midst of plenty and

as such requires a very cautious and careful planning and probing. If the Government, therefore, instead of squandering the capital resources on ill-conceived plans makes a proper use of its tax money and other resources on well thoughtout schemes of economic development there can be, in that case, much relief to the retrenched personnel. If the potential resources are thus properly harnessed much of 'fresh fields and pastures new' would be made available for the retrenched workers to live upon. In the harnessing of these potential resources and developing the country's economy the employers have as much to do as the Government. The employers can make further and proper investments of their profits and open up new ways of employment. But while the Government and the employers can perform their part of duties by opening new fields of economic activities, the responsibilities of the workers are no less greater. If the workers do not co-operate with the works of production and make the industrial field an arena of political strife all schemes of any possible development must ultimately fail. Besides, if our teeming millions go on multiplying at the 1951 census rate of 13'4 per cent no amount of economic development can be of any help. Co-operation of all kinds is badly needed in our economic spheres.

Coming to the second objection to the recommendation of the Sub-committee that retrenchment should only be confined to new-comers it may be said without any fear of contradiction that this seems to be an opinion based on a total ignorance of the principle and spirit of rationalisation. This along with the committee's recommendation, as measures to minimise the effects of 'unemployment consequent upon rationalisation, for the stoppage of fresh recruitments and filling up of vacancies arising out of death, etc, further amounts to a negation of the principle of rationalisation. Rationalisation implies replacement of the less efficient by the more efficient and it is not necessary that all old hands can be efficient and the new-comers inefficient. There can be cases in which old hands may be very inefficient and require replacement by new efficient hands. But the recommendation of the sub-committee that retrenchment should be confined only to new-comers entirely forbids any retrenchment of old hands no matter howsoever inefficient they might be. Efficiency does not depend on the term of

service ; it depends on qualification, intelligence, grasp and earnestness all of which may be present in a new comer and quite lacking in old workers. Thus in confining the retrenchment only to the new comers the Sub-committee makes the industrial unit greatly static which is anything except rationalisation. In order to have a full and free and fair competition there should be no discrimination against the new-comers and protection for the old hands when it is not justified by their efficiency. Such safeguards offered to those already in employment will mean greater inefficiency and negligence on the part of those who are already in employment and would only reverse the rationalisation results. Efficiency and not the term of service should determine the basis of retrenchment.

While discussing the rationalisation and retrenchment problems the Sub-committee also emphasised the necessity of launching housing schemes for industrial workers. In this connection it is to be recalled that the Planning Commission has already formulated a scheme for constructing one million houses for the industrial workers during the next ten years which is estimated to cost about Rs. 400 crores. But due to financial stringencies it is planned to start the construction of only one lakh houses, during the first two years in twenty seven towns of Bombay, Madras, West Bengal, Bihar, Madhya Pradesh, Uttar Pradesh and East Punjab. But even when the housing programme and plans have been greatly minimised there are not yet sufficient money available for even this small beginning and the whole thing is lying in abeyance. What is to be emphasised here is that while making this suggestion for the housing scheme the Sub-committee seems to have forgotten the main objectives of the rationalisation and remembered elaborate programmes for convenience and comforts of labourer without looking into the average cost of workers that has been rising in recent years. While the average cost per worker per day has gone up from Rs. 2/5/- in 1946 to Rs. 3/3/- in 1947 and the per capita income of workers from Rs. 221.55 in 1939 to Rs. 719 in 1948, their productive efficiency has gone down enormously. It has been estimated that in case of the iron and steel industry wages have gone up by 197 per cent and the total works cost in case of the Tata Iron and Steel Company has gone up by 157 per cent. As against these increases

the efficiency of the workers has gone down. As a matter of fact the Iron and Steel industry in India is employing four times the number of men employed in foreign countries for a corresponding output. There is almost a similiar case with the Jute industry of India and it is estimated that if Jute industry is properly rationalised the present output can be secured only with the 50 per cent of the workers now employed. Rationalisation is emphasised upon simply because the Indian industries are working under an unnecessary heavy strain, but the Sub-committee instead of formulating any practical suggestion for minimising this unnecessary cost of burden upon the industries has simply sought to increase this load by making suggestions for an elaborate housing programme. Rationalisation is an economic concept and has not much to do with popular sentiments if it is to be introduced properly for best results.



CHAPTER V

HUMANISATION OF INDUSTRIES.

The industrial fabric is an interweaving of human elements and material elements—the human element is the warp, while interlocking with this warp are the material elements working as the woof of the fabric.

What is an industrial fabric

Human element—the warp of the industrial fabric—is the strength giving element and appearing and re-appearing it holds the entire fabric together and adds life, character and continuity to it. Andrew Carnegie spoke of this industrial human personnel as the most important element in business because, he said, with the help of these he could replace destroyed physical equipment necessary to construct or re-build the business structure. While J. P. Morgan the famous industrialist of America asserted that the human element in industries was of outstanding importance and pointed out with confidence that the whole industrial structure was based and built upon the human character. Industrial activities arise out of the needs and desires of the human beings for various necessities varying from the bare necessities of life to the comforts and luxuries. Human wants are unlimited; and pressed by the devastating torrents of wants and necessities industries engage themselves in the various activities towards producing and acquiring the various goods and services necessary for human life, betterment and improved standard. Human wants are, therefore, both the cause and effect of industries; and industries as such, are the human activities designed and directed towards the production and consumption of goods and services through exchange or transfer between man and man. What industries produce, through the human labour employed in them, human beings consume or in other words it may be said that human beings consume what the industries produce. Industry, therefore, reaches its culmination at the point where the technical process of production ends and the human process of consumption begins and at that

Importance of human element in industries

central point where the tail of production—production through human hands—and the head of consumption meet one another the industrialists stand watching alertly both the sides—the human side consisting of the workers and the consumers and the material side consisting of goods and machineries.

The foregoing important aspect of human elements in industries amply serves to emphasise, in brief, the human purpose for the existence and maintenance of industries. But such an attempt to searchingly probe and realistically voice the human contents of industries necessitates a prefatory allusion to the institutional arrangements under which industries have been established and operated, goods produced and sold and a brief summary of the recent trends and developments that have added to the urgency of a change towards humanisation in the industrial order or relations.

The process of industrial production, distribution and sale are to-day carried on within an institutional frame-work of private property, gain-getting, self-seeking and relatively imperfect competition. Personal profit, personal comfort and conveniences have given rise to the vexed theory of industrial incentive and initiative and the articulation of this notion that the right of private individuals to pursue economic gains as an incentive to productive effort, which has given rise to all sorts of abuses, goes back at least to Aristotle.

The present industrial system is a system of 'commodity-production' which means that commodities are produced for a wide market as distinguished from the production for personal or family use. Goods are produced not for direct use but for sale and both these systems of production and a system of sale are in their own turn guided and regulated by the price and profit of the sale. It is an industrial system in which ownership of the means of production is in the hands of a class which forms only a small minority in the whole social community where the goods are produced and sold. It logically follows, therefore, that the majority of the community at large are divorced from the means of production and their only means of pulling on their living consists in hiring themselves for the wage or in submitting to the choice of goods and prices put up by the industrialists.

The system of production has reached now a stage which may well be termed 'machinofacture of which power-driven machinery is an important milestone on the road to the present method of too much mechanical and dehumanised production. The process of production, distribution, sale and even consumption is moving like machines and there is little or no individual judgment or taste. 'Machinofacturers' in contrast with the manufacturers possess complete liberty (which can be called economic license) to pursue their own inclinations and profit intentions—that is modern capitalistic institutionalism. Such an industrial imperfection is a product of changes in the organisation of industries—in the character of productive instruments and in the relations of man to these instruments. The first type of industrial organisation was called the "family" or 'household system' under which each ordinary family or household provided for all its own wants and necessities. The next change or development of the industrial organisation was the handicraft system which involved an application of the principle of differentiation in industries—a man specialising on some particular line of work; one become a leather worker, a wood-worker or a stone worker and so on. Such an industrial organisation, therefore, implied that a man no longer only supplied his own needs but depended and lived largely on the exchange of his goods with those of others. This handicrafts system later developed into the merchanting system which meant the growing and a new importance to "the division of function between those who initiate and control and those who execute the actual labour of production"¹. The craftsman though still worked in his own house and with his own tools he worked to the order of somebody else—the merchant—not to produce what he wanted and needed but to execute what was dictated by the merchant. The position of the craftsmen, therefore, resembled the present wage-earner. It was from here that the individual initiative and enterprise and the needs of the worker or craftsman and the personal taste of the consumers were subordinated to the interests and inclinations of a merchant who, later on in a next stage of industrial organisation, the factory

'Machinofacturing'
system

Evolution of
industrial
institution:—

1. Robertson—Control of Industry.

system, suddenly emerged as a full-fledged capitalist. Such a capitalist under the factory system replaced the simple hand-driven tools by the complicated and expensive machines driven by steam or other mechanical power and merely fed and guided by the poor human hands and also submitted to regimentation the large bodies of work people under conditions of callous, rigid and distasteful industrial routine and discipline put up by him who simply likes personally to amass money and means for the aggrandisement of all others. The long and complicated series of continued technological improvement and inventions mark today the triumph of the new industrial system with the capitalist detached and disinterested in the necessities, interests and tastes, growth and welfare of the rest of the mankind—the workers, the consumers—completely on the saddle.

"The typical unit of production comes to be no longer a single family or group of persons working with a few cheap, simple tools upon small quantities of raw materials" according to their own convenience and comforts to produce for the needs and tastes of the small consumers, "but a compact and closely organised mass of labour composed of hundreds or thousands of individuals co-operating with large quantities of extensive and intricate machinery". It is a system under which there is no individual initiative, no comfort or convenience to the workers or the fulfilment of the tastes and needs of the consumers. From the point of organisation and operation of industries, the distinctive mark of the present industrial system that leaps to the eye is not the four walls of the factory, nor even the use of machinery or the command of few over many but the detachment of man from man in the industry—the extreme lack of human tone and touch in its various and varying modes and methods of organisation. Industries are organised to suit and cater to the needs of the mankind but the present industrial organisation instead of being based on the co-operation of man with man is working on a system of co-operation of man with machine. The fundamental feature of the present day industrial order is the differentiation of industries with susceptibilities of mankind and the development, or accentuation, of a sharply opposed interests between the human welfare and the capitalistic industrial technique. The wholesome relations, the closeness of touch between the industrial organisation and the human souls—the

workers and the consumers—has been rent asunder by the economics of capitalism and the personal or human ties amongst the producers, the workers and the consumers have not only been greatly relaxed but entirely dissipated. The significant features are quite apparent: adulterated, harmful and heavily priced goods are delivered by producers; consumers have been discontently smarting against industries; producers' relations with workers have been callous and careless and the bargaining concerning wages and hours of work have become collective, impersonal and coldblooded. In the industrial world, therefore, there has been an intensity of economic stress and a keenness of class conflict which have been among the least agreeable features of society.

Two historical facts, though very familiar, still bears recalling; that the system of free-enterprise, as the term has been applied to the nineteenth-twentieth century method of production, distribution and consumption, developed into organisation of industry and in the relationships to each other of different social groups like a malarial germ; and, second, that since the early days of capitalistic industrial-commercial economy the tendency has been now more and more towards a curbing—by the exercise of the collective human force and by the coercive power of the state—a kind of quinine mixture for the cure. Both facts merit still a little treatment and invite, as such, a bit of historical reference and recapitulation.

Production in Pre-Industrial Revolution days was carried and conducted under the handicraft and domestic systems and with minute regulation of economic activity—regulation regarding the production of goods, fixation of just prices, etc. was the general rule. But soon the departure from these fair rules of industrial conduct were as conspicuous as the adherences and manufacturers or merchant middlemen little troubled by the ethical precepts of 'just price' underlying the law of guilds and the national network of regulation usually violated the code and freely followed their own ways for economic dominance. With the growing changes of the 17th and 18th centuries the old system of regulation became too feeble only to succumb finally when, a little later, the great inventions began showing their effect on the social fabric for the emergence of

The Pre-Industrial
Revolution days :

capitalism. Regulations for the fair supply of goods, just prices for the consumers, reasonable relations with the workers and so on were thought to hamper economic activity and the new machinery of the 18th century industrial revolution, bringing with it revolutionary changes in industrial methods created abhorance of the restrictions and paved the way for free-enterprise. As applied to industrial world the basic implication of the laissez faire principle was that of complete freedom for each man to do what he pleases to make his own living. "To hinder a man from employing his skill

The doctrine of
laissez faire.

and dexterity in the manner he thinks proper is a plain violation of his most sacred property. It is a manifest encroachment upon the just liberty....." 1.

The doctrine advertised the notion that most of social evils were due to the superimposition of artificial restrictions, like wage regulation, price regulation etc., upon economic activity. Such an economic proposition believed that the principle of humanism in industries is "an economic friar's lantern", the theory of minimum wages a poisonous patent medicine, social legislations a delusion and a snare and socialisation or nationalisation of industries or state trading a strait jacket preventing the normal exercise of the economic activities.

But this industrial theory based on private property as it is has created a society in which the interests of the individual are antagonistic to those of the collective, the society, of the mass of the people. It has not only divided interests of the people and split the society into antagonistic classes—exploiters and exploited—whose

Effects of laissez
faire industrial
theory :—

interests are irreconcilably hostile to each other but what is more it has stunted the growth of human elements in man and has wrenched all humanism from human beings. After several centuries of error, the ultimate truth has at last been discovered that the present industrial system gives a very shabby mechanical treatment to the mass of industrial proletariats—to workers, the consumers, the common man—not only by its too much mechanical or dehumanised conditions of works but also by the inhumanised

1. Adam Smith.

nature of products that are delivered before the consuming public at large.

Thus, to this industrial proletariat created by such an industrial system of production the consoling religiosity of the early laissez faire economists has made little or no appeal. The new machinery has reduced relatively the number of independent craftsmen and has increased the routined, mechanical type of wage-earners, has thrust the mass of workers into congested and unregulated dwelling life, has made possible the employment of women and children to physically undesirable works, has made possible the sale of adulterated goods to the consumers and has even misguided the consumers to demand what they really do not want by their fraudulent, though forceful advertisement appeals, put up under the present industrial system. In other words it can well be said that the whole mass of workers and consumers have been treated as very passive materials for that

Workers & Consumers—'Dumb Cattle'?

malignant dirty deal which the present industrial order so continually hands them. The mass of workers and consumers are like "Dumb Cattle"

being driven, diverted and stuck on to a path that leads them on to the dehumanised industrial butcher house.

Modern industrial system has hitherto secured to a very inadequate extent the services which the new machineries or inventions are capable of rendering. The actual growth of material wealth, however great, has been by no means commensurate with the demunition of considerations or respects, for the human likes and dislikes, good or evil. Moreover, as an offset against the growth of material wealth the present industrial system has been a direct agent in bringing out certain material and moral maladies which impair the health and habit of modern communities. Though this is admitted that civilization based on the exploitation of one class by another has developed such productive forces as could not develop under the primitive communal system, but this has been achieved "by playing on the most sordid instincts and passions of man, and by developing them at the expense of all his other faculties." ¹ Base avarice and personal enrichment have been the only determining

1. F. Engels—Origin of the family, private property and the state—in Marx & Engels, selected works, Vo. II Moscow 1949 P. 294.

fact, and aim in life of the human being of this industrial civilisation. "Everyman for himself and the devil take the hindmost", "might is right", etc.—are the morals, politics and philosophy of the protagonists of the present industrial order and indoctrinated by its prophets. These prophets and protagonists of the present industrial order though talk of individual human interests and inclinations, conceal their real views aimed at protecting the callous industrial magnates, reason abstractly, metaphysically and idealistically about society and the individual in general and their freedom. But an abstract, metaphysical and idealist reasoning about the individual and society is unscientific. In full accord with historical reality individual, society and humanity must be examined concretely, in their coming

The dehumanised
egotistical calcu-
lations of capita-
lism.

into being and their development. By individual or human freedom this capitalist industrial order understands free trade, freedom to exploit wage labourer and the consumers. Such a capitalist

industrial system has resolved personal worth into exchange value and has left no other nexus between man and man than money, 'cash payment' and profit ; and has, therefore, drowned all noble, pure and lofty human emotions in the icy water of egotistical calculation. By its mechanical and crude calculating system working on profit motive it has converted the artist, technicians, the man of science and literature into its wage labourers and the ignorant teeming consumers into helpless audience ready to part with their all for whatever goods they are delivered. It has developed and perpetuated conditions of work which have turned even the family relations between husband and wife, parent and child, human honour and moral conscience into objects of barter, of purchase and sale. The personal labour of the worker is only a means by which the other's capital can be increased ; the individual taste of the consumer can be modified and altered to increase the sale of production, whatever it may be. In other words, the workers and the consumers live only to enrich the capitalists and not to seek their own betterment and benefits. They live, work or demand goods only insofar as interests of the industrialists require it. All these are because in the present industrial set-up "capital is independent and has individuality, while the living person is dependent and has no

individuality" or human face or will. The industrial structure is based on the oppression and enslavement of the human element in the mass of working people and the consuming class, on the suppression of the creative forces and abilities of the humanism in every individual. It makes the living of the workers as well as the consumers a revolting routine to which they become callous in life in their long run for it subjugates them of spiritual and human interests, inclinations and capabilities of men ; converts the worker into an appendage of the machine, cripples him physically and humanically by the entire organisation, conditions and circumstances of his involuntary, exhausting and too much mechanical works and treatment or deal both within and without the factory with the workers and consumers respectively, and of the oppression of personal tastes of consumers about quality and quantity and price of product. Starvation, artificial shortages, and soaring prices, unemployment, insecurity and an uncertain existence—are the lot of workers and the consumers. The present industrial set-up has fostered the growth of a mechanical man,—whether he be a worker or a consumer—uninformed, a cipher, a mere working and obeying ant.¹

For the humanisation of industries the character, conditions and directions of development of the individual have got to be given a fundamental change. The basis of relations of the present system in industries is mechanical, monetary and self-seeking under which the chain of relationship between man and man must snap somewhere. The industrial relations between people, for its humanisation, should be a relation not based on mere machine, money and profit but on a comradely co-operation between people ; it should be a relation of production between people ; it should be a relation of production fully corresponding to the state of the human and social forces, for the social character of production is reinforced by the human touch in the process of production. Even socialised or nationalised industries will, therefore, require such a flow of human blood among the industrial persons. The industrial set-up—whether it be capitalistic or socialistic—must allow full scope for the development of the productive and human forces—the labour, skill, the creative

What industries should be.

¹ See Huxley's *Brave New World* and *Plays* by Elmer Rice.

power, the capacity and the inner-self of a man. Marxian socialism starts from the premise that the development of the individuality of the workers and the consumers is the development of one of the most important productive forces—that people, the personal, the workers and the consumers are the most valuable capital in the world. If industries are to be humanised the present drab life of the barracks—that levels down and impersonalises the personal human works and wants and suppresses the human inclination, diverts the human capabilities into wrong channels and converts the human dignity of man into exchange value—have got to be changed and changed thoroughly.

Two-sided humanisation towards the workers and the consumers. The question then boils down to this that what changes are now then needed to change the present dehumanised, impersonal industrial organisation into one which would bubble with the social human contents and would insure the free flow of warm human blood through the industrial veins? This requires two-sided humanisation—humanisation of industries in relation with workers and humanisation in relation with the consumers.

Public and human import in industries. The root behind this impersonal and dehumanised industrial order is the notion, perpetuated so long by the capitalists or industrialists, to regard the industrial affair, internal or external, as "self-regarding or private action". There has been thus a well fostered attempt on the part of the industrial masters not to divulge or show industrial matters, other than the machines or goods to the workers or the outside world. Their ideas have been to keep the industrial workers as separately apart from co-workers and consumers and the industrial intricacies as possible so that they may live shut up in themselves. This extreme repugnance shown towards letting the workers and consumers acquire industrial informations makes the whole industrial system a rigid regimentation of everything and imparts an impersonal character to its affairs. It should be recognised that no fact bearing on prices, wages, method of production and distribution or on even profit is merely private. Every industrial action, however minute, has a public and human import and necessarily affects the interests of innumerable workers and consumers. It is very



necessary that all hands of the industrial organisation should be on the table.

The human touch in industry greatly depends upon the manner and spirit underlying the way in which the employees are handled

Necessity of
industrially in-
formed em-
ployees.

right from the day of appointment to that when they leave the job. In order to bring about a personal

and human approach to the industrial problems it is

a necessary step to inform the employees about the industry, its business, its scheme of organisation and

its policies along with its rules and regulations. In short, every worker should fully know and understand the industrial set-up where he is at work. There are two ways of accomplishing this—either by oral information imparted at regular intervals or by giving each employee a printed pamphlet or booklet made up in attractive form with illustrations. The pamphlet should contain a brief description of the industry, its business, its policies and programmes, conditions of works, prospects for workers, rules and regulations. Such a pamphlet should be attached the same importance in its correctness of its details as is given to the annual reports submitted to the shareholders of a company. The employee of the present day industrial set-up never feels any loyalty towards his real masters with whom he never gets, or is given, an opportunity to be introduced. The huge complicated organisation of the present day industries does not even permit a worker to see the highest boss — the General Manager—what to speak of the proprietors. This makes the whole industrial organisation very impersonal and ultimately breeds a cold human touch and tone in the whole work. It is very necessary that the proprietor or Directors or the Managing Director should meet the employees, in a conference or meeting at least a year if not twice. A better method still would be to introduce every employee individually to the Directors after he is appointed or when he reports for work for the first time. At this time the new employee should be shown all facilities for the personal comfort of the employees, *e.g.*, the lunch room, rest room, toilets, wash rooms, library, locker rooms, exits, fire escapes, drinking fountains, the method of keeping attendance, time lock, etc., etc. In order to give him a thorough knowledge of the whole industrial set-up it is necessary that he should be

taken on a trip through the factory during the first few weeks of employment and be given group talks on industry's policy and programmes. These plans are more or less expensive, involving a great deal of time and money, but ultimately pays their way in giving a human approach to the industrial workings. The idea of having a

Reception Committee and 'sponsor'. reception committee consisting of a senior and experienced staff to get the new employee introduced to new environments and industrial conditions, policies and programmes seems to be used to some

degree of success in some industrial organisations. This can well be worked out by having a representative in each department to act as a 'sponsor' for the employee who enters the industry afresh. The duty of such a sponsor would be to introduce him to his fellow workers, officers, conditions of works, and the policies and programmes of the management. This plan undoubtedly has some advantage in that it would ensure individual attention to every worker, a personal and humane treatment from the very beginning. The worker, thus, will be able to know where he works, with whom he works, and what is the policy and programme of the industry, under whose roof he is working, so that he would not be a mere appendage of the machine moving with machine like a passive dumb material as under the

Endeavours to make workers feel at home. present industrial set-up of today. It is very necessary that the workers constantly feel at home in factories and workshop. The din and bustle of an industry working on a mass production scale may

strike the worker at some moment oddly. It should, therefore, be the constant endeavours of the management to impress upon the workers that the management does not wish the worker to think that any abruptness may be a sign that he is unwelcome. There should thus be an initial welcome plan, and follow-up address to make the old stagers as well as the "rookies" (new recruits) feel at home.

The following tone of the Managing Director of the Murphy Radio Ltd. to its workers and sent to each worker in a pamphlet form would well emphasise the importance of a human touch in relation to the workers. He says :—

"A few years ago I knew every single person in our works, and everybody, or pretty nearly everybody, on the office staff. It is

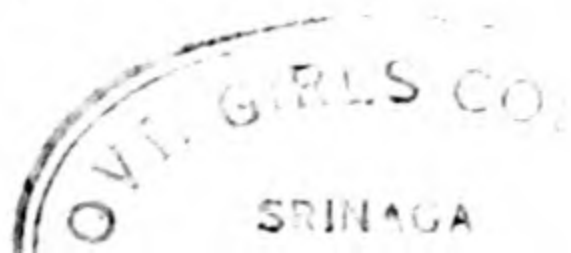
no use pretending I do to day and I for one am very sorry that it should be so.....Putting it quite shortly, where there are only a few of you, it is much easier to get the team spirit. Now, there is no doubt that we did have the team spirit at Murphy Radio, and there is no doubt in my mind that we have it to-day. But.....unless we can make you feel at home amongst us, feel part of us, then of course, a lot of the team spirit will go. I dare say you will find a lot of things different ; perhaps some things you don't like in your work, in your conditions of work.....the country about, the people who live here.....At least, I want you to feel sure that those of us whose business it is to 'run' this company do want to make you feel at home with us. If you feel out of it, and can tell us why, we will certainly try to make you feel in."

But this job of making the employee feel at home cannot end with handbooks and speeches — it requires some practical embodiment of various faculties. Besides the reception committee already referred to in the foregoing discussions it is also necessary that there should be Youth's committees which can provide opportunities for games, hobbies, and handicrafts for all youngmen in the industry and would also give scope for dramatic work, and holiday planning. But it should be borne in mind that there can be no set social programme which can be generally adopted. Conditions in each industry differ and as such each industry is a different problem, and what would be suitable for one would be quite unsuitable for another. All that is emphasised in the foregoing paragraphs is that any phase of personnel work, which helps to create a more friendly, a more humane feeling between industrial administration and employees cannot help but be of great human value both for the industry and the persons working in it. This social programme need not mean friendly, but that which is human which creates better acquaintance, and through this, better understanding. Even if there is better wages, better working conditions, the employees may not be happy because of the callousness in the industrial relations. A worker of a large manufacturing concern once complained, "I like my work and am satisfied with the wages I get but I never feel that anybody cares about me personally or cares whether I am happy or not". Thus the creation of an industrial atmosphere in which the employees feel

that they are looked upon as human beings and not as 'dumb cattle' is a great business and human asset to a company of the highest order. The creation of such an industrial atmosphere surcharged with humanity does not mean, as has been falsely assumed, to have any connection with slack discipline. It is a simple human necessity that workers who work should like the management to be a little paternalistic in its attitude.

Modern industry has been deeply dehumanised in that it has enlarged and made more distinct an unnatural and insulting separation of the art of production and the art of consumption. Industry has become purely monotonous and burdensome in a two-fold way — by sharpening the distinction between the working class and the comfortable class and also by the sharp separation of the process of production and consumption in the individual life of the worker himself. Work has thus been differentiated from enjoyment and the name 'working class' has been made to indicate that their primary function is to labour and not to live. On the contrary the 'comfortable class' is supposed to live and not to labour. These two extremes have decreed the divorcement of life and labour in all nakedness. But since life and labour are well related to each other in the very natural order of planning and also because work and enjoyment are both human functions and are organically related in the life of every human being it would be a pure violation of the physical as well as the moral laws to draw any dividing line between the two aspects of every human existence—life and labour, work and enjoyment. The effect upon humanity of such a differentiation between life and labour is startling. It is very essential that this tendency of separation between life and labour is mitigated and it be such as to make the output of personal exertion on attendant condition of a wholesome consumption. The distinction between the working class and the comfortable class should go for ever. There is still another kind of class contrasts — class distinction not only among the labour class and the comfortable class but amongst the different grades and classes of workers which greatly impairs the warmth of human relationship in industry. It is an aspect which merits a little more detailed discussion to which we shall return later in a subsequent page.

Besides, industry which is sordid, uninteresting, dull and dolorous



has become more and more painful in its effects by the sharp separation of the process of production and consumption in the individual life of a worker. Such an industry containing within itself no element of human enjoyment "cannot be fully compensated by alternate periods of consumption or relaxation." There is no sustaining element of enjoyment or interest which can make the industrial work a happy engagement. Judged from the human standpoint it is the absence of such a sustaining element that makes a modern industry a weird house of machine tending. The painful effort involved in the industrial works ought to be linked with some sustaining elements of related interest, diversion and pleasant pastimes. It is the present of this sustaining element which makes a work an art ; it is the absence of this which makes the work mechanical. What is, therefore, required for humanisation, from this point of view, is that the industrial works must make the process of production and consumption inter-related and interdependent, i.e., it must make life and labour co-relative terms. This co-relation of production and consumption would abolish the present industrial system of machine-tending and would convert the whole industrial process into an art that would lead to an evolution of a wholesome industrial society.

"Life without industry is guilt, industry without art is brutality" is a great maxim which implies a thorough-going change in the art of production and the art of consumption. Industrial processes can become art only if there is progressive realisation of the nature of perfect consumption and production. Production and consumption both must become qualitative instead of quantitative. "Just in proportion as our tastes become so qualitative that we require to put our own spontaneity, our sense of beauty and fitness, our vital force, into whatever work we do, and likewise require the same elements of spontaneity and individuality in all we enjoy, the economic conditions of a perfect society will be attained."¹

How can this qualitative ideal of production and consumption be attained ? It is a question that takes us very near to the Gandhian approach to industry and Economics.

In sofaras individuals demand an increasing variety of the same

¹Hobson—Civilization and Industrial Development (Evolution of modern capitalism).

goods, they extend the dominion of machinery ; insofar as they develop individual taste and quality rather than quantity they provide wider scope for such industrial works as can be called by the name of art. The social and human progress of a nation is better determined by the amount of their qualitative production and consumption. Mere variety of consumption is not a proper measure of progress. There ought to be a progressive realisation of the true relation between the products which can be produced economically and the wholesome wants of mindkind necessary for a full and harmonious development of the human faculties. The cultivation of a taste for a variety of strong drinks may mean greater production, cheaper goods and an enhancement of the aggregate market values of the wealth produced but it would on the other side bring about degeneration of human and social qualities of the mankind. When we demand more, produce more, and consume more of any product we are subject to the limitation of the material universe—the dismal formula of the Law of Diminishing Returns—and what we get costs us more and benefits less. But if we cease to demand more, produce more and instead demand better and produce better—commodities delicate and tasteful—*i.e.*, make production and consumption qualitative we increase the human enjoyment resulting from industrial technique without adding to the cost or exhausting the store. This qualitative production and consumption of the industrial goods would make life highly human, highly qualitative and a larger proportion of the human energy now expended in the industrial works shall be given to the production and consumption of intellectual goods.

Modern industry is a veritable domain of machinery where we pile products upon products, goods upon goods, and science upon science and ultimately the vast human consumers are converted as mere worshippers of quantity. This has increased machine-production and has developed the quantitative genius for industry and commerce. Pace, size, number, cost, price and profit are watch-words on the industrial lips ; purity, perfection quality and humanity are buried under the heaps of industrial wastes and moral maladies resulting from modern industrial production.

The callous effect of machinery, its tremendous power to multiply the quantities of articles produced has so hemmed and

overawed the human world that the craze for quantitative consumption has seized and shackled even those whose taste, character and individuality might have made them protagonists of true art in human life. The indictment of machinery is not so much based on a belief about its total uselessness as on the inadequacy of the machine-products for human purposes because of such products being exactly similar to one another when human beings are not similar at all. No two individuals are precisely similar in physical, mental or moral nature and so real needs of no two human beings will be the same. But the quantitative nature of machinery has compelled individuals to sink their individuality, nature, taste, and mind which ultimately means the destruction of the human faculties of the consumers. Besides, as this dominance of machinery tends to the suppression of individual human faculties of the consumers it obliges and compels every industrial worker to do the same work in the same way emphasising every time upon the mere capacity of rapid repetition. In killing the individual human faculties of consumers by an imposition of a common character upon consumption it tends to the destruction of individuality of works which ultimately means the destruction of the individual faculties of the human workers. The maladies resulting from this destructive character of industries is inadequately recognised though it leads to the oppression of mankind, waste and commercial instability. It is this dehumanising effect of industry that is to be resented and reformed.

The separation of the art of production from the art of consumption and by making the whole productive and consuming process quantitative instead of qualitative industries have fostered anti-social competitions. Several dogs are after the same bone. Besides this, the qualitative production and consumption increases the industrial capacity to destroy millions of tons of goods to bolster up prices as is done in America....."that's the nemesis of capitalism. They do not destroy now, but they are being paid for not producing.....people indulged in the pastime of throwing eggs at one another because the prices of eggs had gone down."¹ That is what results from the qualitative production and consumption of industrial goods. "That is what we do not want. If by abundance you mean

¹Dr. De Boer during an interview with Mahatma Gandhi on 12.2.1933.

everyone having plenty to eat and drink and to clothe himself with, enough to keep his mind trained and educated, I should be satisfied. But I should not like to pack more stuff in the belly than I can digest and more things than I can ever usefully use....."¹

Speaking about the benefits of quantitative production to the consumers Mr. Henry Ford once observed that "it is a question of raising the standard of living of the people." But there is a tremendous fallacy behind Mr. Ford's argument. Without simultaneous distribution and consumption on a mass scale, the mass production can result only in a great human tragedy. "Mass production takes no note of real requirements of the consumers.....the mania for mass production is responsible for the world crisis. Granting for the moment that the machinery may supply all the needs of humanity, still it would concentrate productions in particular areas, so that you would have to go in a roundabout way to regulate distribution. Whereas, if there is production and distribution both in the respective areas where things are required, it is automatically regulated, and there is less chance for fraud, none for speculation".²

For a proper humanisation of industries from the foregoing point of view about its destructive character it is necessary that there should be the highest form of perfection in the division of labour, in the field of production between the inanimate inhuman machinery and the warm human hands. Such a perfect division of labour would ensure qualitative production and consumption.

Human wants and necessities can be placed under two broad categories—(i) Routine or animal wants and (ii) Cultural or developed wants. As modern industrial societies develop they disclose certain primary natural wants like hunger, thirst, cold etc., which may be called animal or routine wants quite common to all human beings. In these purely physical demands there is less qualitative difference among different men and are less subject to fluctuations in quantity or quality of demand than the other. Besides these wants there are certain highly developed wants—*aesthetic, moral and cultural wants*

¹ Mahatma Gandhi (Interpretation of Wardha Edn. Scheme by Mahadev Desai.)

² Mahatma Gandhi.



in which individualism is more and more marked. It is in these highly developed wants that the diversity of individual shows itself most strongly and demands a satisfaction peculiar to itself.

In a progressive society the members would manifest greater likeness in their lower modes of life but the extent of individual difference in the higher modes would be ever widening. In the animal or material wants found in the lower modes of life, the absence of wide individual differences of taste single out the commodities for routine or machine production. These routine wants, representing that part of consumption which is common, can be supplied most economically by highly organised and integrated machineries. The cultural or highly developed wants manifesting wide individual differences cannot be satisfied by machine production; individuality of taste or a taste for qualitative consumption requires individual production in the industries for their satisfaction. In proportion, therefore, as this individuality develops handwork or art must play a more important part in these industries and which could thus repel undue encroachments of machinery in everything or even drive it out of some of the industrial territory machinery production has annexed without proper right. The first economy of individuality or qualitative production, will enlarge the industrial works by handwork or art and relegate the works of quantitative production, for the satisfaction of common material or animal wants, to the realm of machinery. The industrial productive system, thus divided into machinery and art, will release some workers from machine method of production to art or hand production. In a progressive society where socialisation and individuation thus grow inseparably related and reacting on one another there is no fixed limit as to the extent of the two systems of industrial production—quantitative or machine production and qualitative or art production. As individuals become more and more qualitative in character the art or hand-production-industries will expand. This qualitative character of production will release human energy saved from the mechanical routine works will be set free for higher individual endeavour. Human life even in industries must become qualitative—not only in its activities but also in its physical basis. On a higher plane the greatness of any nation or community does not depend merely on the quantita-

tive industrial production but it ought to be seen more clearly to consist not in the numbers but in the character of production. If a country is to emphasise the mere material needs of the physical life of persons it will ultimately remain subject to the malignant law of Diminishing Return and will engender all the ills of an all-out machine production—the waste of economic maladjustment consisting in the excessive or defective application of various kinds of productive forces at different points of industry, the ills of modern competitive industry in which the motive of personal gain is most wastefully applied, the unemployment, routine torpidity, etc. etc. America is a rich country and has industrially advanced very far but the quantitative methods of production and consumption has prevented its human progress and the result is that there are so many innumerable poor persons unemployed and half-starved though “not a single bad road in America.”¹ The emphasis placed on the excessive multiplication ultimately leads to a degeneration of the social and human standard. “So long as machinery promotes the happiness and the prosperity of the masses as well as the classes it is a beneficent agent. But when it leads to the unemployment and starvation of millions, as is happening in the highly industrialised countries of the west, it becomes a curse.”² Industry exists for man and not vice versa. Industries must be made subservient to the well-being of the human being; it ought to be humanised and should on no account be allowed to become their master: that would be a tragedy.

Thus as has been emphasised in the foregoing discussions “the remedy lies in higher and higher individuation—
 The remedy lies in higher and higher individuation. i.e., if we would repress excessive multiplication, we must develop the average individual standard throughout society.....”³ It is, therefore, necessary that highest division of labour should be attained to humanise industries—division of labour that can apportion machinery to the collective supply of the routine needs of life and art or hand production to individual supply of the individual human needs. It is

¹ Ilf and Petrov—The little Golden America.

² A comment in the Guardian.

³ Prof. Geddes.

thus that we can obtain the full use of labour-saving character of machinery—minimising the amount of human exertion wasted in machine tending and maximising the amount engaged in the free and interesting occupations. It is in such a perfect form of division of labour that we can make labour and capital develop their gift of intelligence. The intelligence of the working man and the faculties and tastes of human being which have been now cramped by the soulless, mechanical occupation and production of routined goods will be released for better utilisation and it would provide scope or chance to develop their mind. Such a division of labour would mean that workers will not be overworked and machinery instead of becoming a hindrance will be a help.

What humanisation aims at is not the eradication of machinery, but its limitations. Industries "ought only to be working under the most attractive and ideal conditions, not for profits but for the benefit of humanity, love taking the place of greed as the motive The individual is the one supreme consideration. The saving of labour of the individual should be the object, and honest humanitarian consideration, and not greed, the motive.....".¹

The human history to-day has the saddest experience as to how industries are directed or diverted into wrong channels to the great detriment of humanity. The most flourishing industry of the present time is that which is based on hoarding, black marketing and immoral practices. Powders made of white stone chips are mixed with flour and sold out to consumers by individual and industrialists. Thus the whole industrial field appears to be a paradoxical curiosity that while humanity is poisoned and society dies, industrialists get the largest profit. The consuming humanity is so modelled in body, mind, character and the general set-up of life by the industrial activities and relationship—by the rise and fall of prices, by booms and slumps, by industrial competition and price cuttings, by the quality of the goods produced, by hoardings and black-marketings—that industries can truly be said to make or mar men, women and children who are affected by these industrial activities and relationship. Industrial activities shape the

¹ Mahatma Gandhi (Young India, 18-11-29 from an article by M.D. entitled A Morning with Gandhiji).

Character and life of men by their business activities for good or evil no less truly than they shape and mould the goods and commodities that they put into the market. Qualitative production and consumption would remove the moral and economic maladies of anti-social and anti-human competition and production. The more qualitative consumption becomes the more insistent each individual is upon the satisfaction of his peculiar taste, the smaller is the chance of anti-social competition resulting from the production and consumption of the same goods. The individuality of each stands out in mitigation of the antagonism of competition. As, thus, consumers rise to purely intellectual or moral enjoyments competition gives way to the generous rivalry in co-operation. Both in the production and consumption of the highest goods human, not anti-social, motives are the chief stimulus. In such a form of production and consumption there is the practice of the noblest arts of life and labour—the enjoyment of the finest moral and humanly suited goods and there is no selfish production or consumption.

Coming again to the consideration about workers it may be asserted that what is more important as a part of the humanisation problem and principle in industry is the state of mental health of the workers in industry. So far industries have provided facilities for doctors and medicines for the preservation of physical health of the employees but the industrial set-up totally lacks in any provision for the employee's mental health which is, in some sense, more important than the physical health. A worker while being physically well may be mentally upset and it should be a duty of the industry towards the human personality to make efforts to remove the mental ill-health or agonies arising out of modern industrial civilization. There are certain disturbing factors in the present industrial civilization that tend to swing the workers beyond the range of what may be called normal. Mental health in industry, which is of great importance for the preservation and utilisation of human life, is generally "dependent upon two diametrically opposed set of forces. One set of factors disturbs and annoys the worker; the other set stabilises and satisfies him".¹ There are certain well chosen factors

¹R. S. Uhrbrook—Mental health in Industry.

that make for mental ill-health in the industrial situation. Fatigue, distraction, home worries, debt, job insecurity, disappointment on not getting a fair deal at the hands of the employers etc., are the well listed factors responsible for the mental ill-health of a worker.

Excessively long hours of work without proper rest hours, holidays or system of vacations are the actual state of affairs in industries. This actual physical fatigue, due to long working hours, generally reduce the resistance of the employees to conditions of ill-health and very soon they become mentally weak, disturbed and ill. Such a state of affair that is generally prevalent is not only a concern for the employees but for the whole human personality. Though much has been done in this direction but it is very necessary to recognise that conditions of industrial employees greatly differs from the conditions of other office works. The former entails harder labour and greater exhaustion than the latter and therefore seven to eight hours a day is not congenial to continued sustenance of mental health and happiness for all kinds of industrial workers including the executives and the ministerial staff. Besides, psychologists have

Vacations as an aid to mental health.

discovered various kinds of fatigue which is not muscular but is caused by nervous strain. Efficiency and judgment in the discharge of works, which depends not only on physical but as well as on men-

tal efficiency tend to become impaired by the stress and strain of factory conditions. The emotional factors in the industrial jobs have not been given the full study and examination by the employers that they demand. Worry of several kinds, fear of failure in works or anxiety as to the results, pressure of work added to the fatigue brought on by the peculiar physical conditions within the industry create emotional conditions which greatly affect the human mind. Such a system of work which creates emotional conditions without having any antidote for the same is sure to amount to a cutting short the mental efficiency of human beings working in industries. It is a sort of poison which ultimately cripples the human life. Humanity demands that employers who engage human personalities to work for them should have the responsibility to see that such a poisonous condition of work in industries is properly antidoted. In order to ward off or antidote this cruel poisonous effect of industrial work

on the life of human workers it is necessary that some time in a year there should be an entire change of occupation and scene, relaxation and physical activity which recreates but does not sap vitality. In other words, there should be a system of vacations for industrial employees of all classes. If a careful physical or mental examination of such employees is made out in industry it would appear that there are many employees who are not in a condition to resist illness well and an enquiry into the causes of absenteeism has shown that a large percentage of employees are absent for varying periods during each year on account of physical or mental illness. All these can be warded off if we approach this industrial problem from the human viewpoint.

Necessity of
industrial
vacations.

It should be emphasised at this point that vacations in industries should be considered in relation to individual employees instead of in relation to the industry as a whole. This would mean that the whole factory or industry would not have to be shut down for any period; what should actually happen is that such industry should maintain the services of a physician to watch over the mental and physical health of the employees in the light of the emotional conditions of the job. A study of the medical history of the employees would show on the average, in order of priority, the necessity of different classes of employees for vacations and its periods. Employee or employees would be asked to enjoy vacations as advised medically according to the priority list prepared by physicians based on their physical or mental health. This would mean that all the employees would not have their vacations at the same time and there would, therefore, be no necessity of closing down the industrial units during vacations. The length of vacation, its duration, would generally vary with the individual condition of the employees.

Vacations in
relation to
employees.

A systematization of the provision for vacations on the basis of medical examination of employees plus a reduction in the number of working hours based on the individual's physical and mental conditions would mean, in the long run, not only a proper respect and care for the human personality but also a more continuous service, and service with efficiency for the industry even if consi-

dering the vacation and reduction in hours of work, the total time worked by the group would be far in excess of the actual workings at present.

As regards the pay of the employees for the period of vacation there are two opinions — one that wages and salaries should be paid at the end of vacations in order to ensure that employees return after a vacation. But the soundness of withholding pay in order to ensure the employees to be back after a vacation is questionable.

The question of vacation pay.

Looked from the human viewpoint the majority of employees require money for vacation purposes. The logic is clear: a service that has been rendered justifies the vacation and there can be no excuse for withholding the vacation pay. There can be yet another solution to the problem: that the question of vacation pay can be left to be settled by the employees themselves. If an employee requests for his vacation pay it ought to be given in advance; but if he does not require an advance the regular pay period should be maintained whether this is at the end of the vacation or not.

A modern industrial unit is a show of machineries; and the non-rhythmic pounding of heavy machineries not only, in the long run, prematurely makes an employee deaf and hard of hearing but also distracts him to a point where he makes a false move and becomes the victim of an industrial accident. But such industrial problems have seldom engaged the attention of either the employers or the Government. A man works not because he should be prematurely disabled but in order to sustain and preserve life by a source of living. Very recently a certain automobile firm of America has introduced some system of scientific appliance which prevents and soothes the noisy sound resulting from the heavy pounding of machines and makes a factory entirely noiseless. Since it is calculated that the average industrial employee working within the factory becomes dumb much far earlier than human being can become subject to such a physical disability the industrial civilization amounts to a scourge for the human civilization. It is, therefore, very necessary that factories or industrial set-ups should be equipped with some such appliance in order to protect the human organs from being disabled

Need for noiseless factories.

from work. Otherwise industrial works, looked from the human point of view, would mean disability instead of livelihood.

The present factory conditions of work are sordid, callous and too much mechanical not only in relation of man with machineries but in relation of man with man in the industry. The work is, thus, a burden and entails greater exhaustion than would have been the case if the industrial working would have been more humane bubbling with the warmth of close, intimate relations and treatment of a man with man. What is more the conditions of work within an industrial unit is such as can well be termed inhuman and unnatural. Industrial units work in shifts—some beginning from early morning at six, some from three in the afternoon, some from seven in the evening and even from 12 o'clock in the night. Going to work from three in the afternoon till eleven or twelve or from seven in the evening to two or three in the night or from twelve in the mid-night to early morning is an unnatural way of life. Such working hours are quite contrary to the human nature. It is the civilized order of life that a man generally goes for recreation in the evening and retires for sleep in the night after day's work. Industries have reversed the natural life gear and because of shift workings there are workers who have to retire for sleep during day time and report for work during night hours either from seven in the evening or from twelve in the night. It is definitely something the unnatural order of living and takes our civilization years back. The sight of workers, with a little aluminium pot containing some tiffin in their hands, entering the gate of industrial establishments for night works is a stark condition of industrial life. Such conditions of works are not only contrary to the human nature but also entails greater fatigue than day work. If life is put in just the opposite way in which nature has planned it means that life is conducted and carried through at great costs to life itself. Night work being quite contrary to human ways of life and also against the natural order of planning cuts life short. It is, therefore, very necessary that night work should be abolished altogether except in cases of extreme national emergencies. Working hours in industries should also be regulated and be fixed up between 10 to 4 as is usually found in all civilized and human conditions of

Night works to
be abolished.

work. If the hours of work are not contrary to human nature, and are regulated with proper rest hours and if there are well-ventilated and comfortable factories there would not be any exhaustion after work and it would be a pleasure to be there at work. All these will have a salutary effect upon the workers and their physique and workers then would not be affected with such a fatigue as would necessitate the intoxicating effect of liquor drinks to remove the fatigue. Addiction of the workers to drinks, another evil of industrial life, can well be attributed to the unnatural order of working conditions in industries.

If working conditions in factories are easy and in accord with human nature, if factories are well-ventilated and comfortable it may

Prohibition in
factory areas. well be justified to enforce complete prohibition in factory areas so that the workers may not have to

fall into the rut of bankruptcy and debt because of a large portion of money being spent in provision shops so widespread all along the factory areas. It should be rigidly seen that no provision or liquor shop is opened within the industrial areas or in its neighbourhood. This prohibition would not only reduce the factor of debt of the industrial workers, with the attendant risk of garnishment of wages and possible loss of the job but would also eradicate from the workers the many moral maladies resulting from their addiction to drinks. Debt is a problem with regard to industrial

The question of
debt. workers causing worries and which as such lowers industrial efficiency. The question of debt arises out of many factors—low pay or unnecessary expenditures. This problem is not peculiar to India but is found everywhere. Even in America, the richest country now in the world, it is said that "the average wage-earner, with a family, finds that he must borrow money at least once every two years to meet emergency or unforeseen expense which cannot be paid from current income or from savings".¹ Here in India much has been done in regard to the raising of the wages and salaries of the industrial employees but the burden of debt is still lingering with them. Political adherents would explain them by their usual argument about low wages; but as a matter of fact debt of the industrial worker

¹ Hand Book of Business Administration (MacGraw Hill)

arises as a result of their uneconomic and unnecessary expenditures. In India liquor shop is a flourishing business near an industrial or factory area. It is a common knowledge here in India that almost 90 per cent of the factory workers become addicted to drinks and spend a large portion of their wages over it regardless of other necessities. The result is that very often they have to go in for debt at least once every two months if not earlier. It is to be admitted that factory conditions are so toiling that addiction of the workers to liquor is quite natural. In order to solve the problem of debt it is better to strike at the root of the problem instead of emphasising at its branches. Merely an increase in salary and wages now would not solve the problem at all. What is necessary is to humanise the whole picture of industrial workings—remove the callousness of work, make the factory a comfortable, warm, well ventilated place, provide better rest hours and vacations, reduce the hours of work and regulate it in accordance with human nature, arrange for canteen services and enforce complete prohibition in factory areas.

Besides all these there should be full security of the job of the workers. They should receive sufficient remuneration for their work to maintain the standard of living to which his education, or skill or dignity should entitle him. If due to the dexterity, integrity and efficiency of the workers the industry is prospering well it is quite humane and reasonable for the industrial administration to reward the workers for such an increasing profit and prosperity of the industry by an all round increase in wages, pay scales and other facilities for the workers. If this be the industrial principle and practice the workers can feel, both physically as well as mentally, stimulating in the sense that the gulf between the haves and have-not would then be narrowed down and much of the economic exploitation would be ended. Security of job, proper payment, proper hours of work as elsewhere meaning the abolition of night work, sufficient remuneration and recreational facilities would make the worker in tune with the environment and his personality, workmanship and efficiency would be expanding.

The present industrial system makes for an increase rather a

diminution of speculative production. It is a common experience that the number of workers engaged in the production of comforts and luxury goods is growing every day while the proportion of those engaged in producing the prime necessities of life is fast declining. But the fluctuations of fashion are much sharper and more frequent and as such large number of such luxury and comfort products is affected by the vagaries of fashion. The demand for comfort and luxury goods is, therefore, essentially more irregular and less amenable to industrial business calculations than the demand for necessities. The employment of workers in such trades, therefore, is extremely

Curse of
unemployment
due to industrial
vice than to the
play of economic
forces.

precarious. But, since the articles of comforts and luxury bring a good profit for the industrialists modern industry has a tendency "to drive ever and ever larger number of workers from the less to the more unsteady employments".¹ Thus it may generally be said that the curse of unemployment is not so

much due to the so-called admirable order and "economy of 'the play of economic forces'" as due to the individual profit motive and the industrial vice which has permeated the whole industrial system.

This drifting of the workers from the more steady employments to those which are less steady and whose irregularity and unsteadiness is increasing everyday is becoming a curse not only for the workers themselves but for the whole society. The impact of unemployment of a class of worker does not remain confined to the same class but produces repercussions on others as well. The injury inflicted by such an unemployment of workers upon the wages, working efficiency and more so on the character of the working class, as well as on the whole society, is tremendous if in measuring the evil of unemployment we look to the maximum than to the mean conditions. The calculations of average unemployment during a long period cannot properly show the intensity of the evil as in the calculations of average figures over a long time we look to the mean conditions instead of the maximum. "If a man is liable to have his food-supply cut off for a month at a time, no estimate showing that on the average

¹ Hobson—The Evolution of Modern Capitalism.

he has more than enough to eat and drink will fairly represent the danger to which he is exposed."¹

It is, therefore, very essential that the industrial order should be so changed that the tendency of workers instead of being continually driven from steady to unsteady employment is checked. It is very necessary for humanity that the 'what and how much' of every

Necessity of checking the drift towards unsteady employments.

production is rigidly controlled. As in war-time industrial production is put under rigid scrutiny and Governmental control so it should be a code of regular industrial business that the quota for

Fixed quota for production of luxury and comfort goods.

the production of the luxury and comfort goods is fixed. A detailed classified list of two different kinds of goods ought to be prepared to show what is a luxury and what is a necessity and industries should not be

allowed to go beyond the fixed quota of production of the luxury and comfort goods so that the unsteadiness of unemployment may be reduced.

Modern industrial management is a revolting routine work. But it should be realised that the workers who are working there are after all human beings and industrial working, therefore, cannot be too rigidly formalised and made automatic. Things

Humanised industrial discipline.

have changed and human worth cannot be underestimated at any cost. What is to be realised now to-day is the fact that human element and not the

modern machine is the vital factor in an industry. However highly mechanised the industry may be, the human machines with flesh and blood are of outstanding importance and they should not be treated or dealt with like the insensitive machines of iron and steel.

It is, therefore, necessary that when the industry deal with men it deals with a humanised approach. It is thus considered unwise to enforce absolute and formal discipline which would amount to a

Attitude of hire and fire.

highly impersonal attitude—attitude to hire and fire without hesitation. As an example of such a hire-

fire attitude of modern industrial management reference may be made to a very general order found everywhere in factories regarding smoking. In factories we generally find the

¹Hobson—The Evolution of Modern Capitalism.

statement hung up here and there "Smoking anywhere in the factory area is strictly prohibited. Violations will lead to immediate dismissal." Such an attitude of the management is bereft of all human approach which can infuse inspiration for obedience. Such orders or the attitude of treatment makes an employee feel that he has been sentenced to some type of voluntary servitude and it smacks of the denial of all the freedom and pleasures of life. There can be no two opinions that smoking near a store house of an industrial undertaking is dangerous and is, therefore, to be prohibited. But the order prohibiting smoking can be humanised and a soft pedal can very well be put on harsh rules and mandatory regulations. Compare, for example, the prohibition of smoking in the following instructions :—

"In view of the large amount of inflammable merchandise and equipment concentrated in the factory and the huge loss and consequent unemployment which might be sustained in case of fire, you will realise how very important it is to observe strictly the no-smoking rule."

The foregoing statement is a humanised order which can impress any employee as a quite fair and reasonable step on the part of the management. It would thus not only inspire obedience of the order but would make the employees feel sympathetic and co-operative towards the management. The response and result would thus be excellent.

Dismissals and promotions of employees are vexed questions which often arouse resentment on the part of the industrial employees. So far these questions of industrial management have been viewed and handled in the most impersonal and cold manner but it is very

Humanisation in dismissals and promotions. necessary now that they should be humanised. The question of dismissal is an important one and in many industrial undertakings there is much of uncertainty about it. Though in recent years much of

restrictions against summary dismissals have been instituted but the situation is not very satisfactory and requires a human handling. It should be honestly emphasised that the workers are in no danger of being fired." If any person proves to be at fault, he will not be discharged without the serious and two-sided consideration. Every effort will

be made to reason out the situation and fit that person into a plan more suited to him."¹

In matters of promotions in industries sometimes a coldness of the administration is shown by selecting persons from outside instead of promoting to a higher post from within the organisation itself. But this is always at the expense of morale and human considerations. The juniors in the organisation, who see foreigners selected, either grow disgruntled or lose ambition. It is but human nature that no human being will give his best to an organisation in which he is likely to be debarred from the prize positions that are awarded to outsiders. It is, therefore, a very necessary part of humanised industrial set-up to preserve the morale by taking into confidence those within the organisation by being wedded to the policy of promotion from within. The opposite policy of taking persons from outside, to higher posts, is like the hand of death on the humanity, initiative and hope of the employee.

It is just and proper for the industry to look upon every employee as a separate part of the industrial organisation. That being so an employee must be developed as an individual being of value to the industry, to bring out the best in him for the good of the industry and his own. But modern industrial working is generally based on essentially a hit-and-miss self-education process in which there is no

Need for
individual care of
the employees.

individual care for the employee to bring out or develop the talents present in the workers. The modern capitalistic theory regards the employees as mere cogs in the factory and pay no individual attention for picking up the able and talented mind for the better. The foolish capitalistic theory in this connection is that employees do not require individual care because of the capitalistic explanation that "cream itself rises to the top", that "water finds its own level." It is true, of course, that cream does rise to the top and water finds out its own level but neither cream nor water is human. The statement or explanation or analogy is a careless bunkum invented by the capitalistic order of industrial organisation which treats human being nothing more than machine-feeders. Thousands of able men have

¹How to handle your personnel problems to-day. p. 17 (Gramol Publications Ltd. London).

been kept down by careless industrial conditions. The human raw material is good but is kept down by blind-alley jobs, insufficient attention by the industrial administration and dehumanised dealings. This hit-and-miss method in industries is so unsatisfactory that business is becoming vocal about it. While capitalistic methods of production, distribution and financing has reached a stage of great importance little has been done to develop the skill and talents which can show that an employee is treated as a man with an important job to do, so that the employee can also adopt the same human attitude. The attitude of the industrial administration must be entirely sympathetic to this aspect of human relation in industries and his sympathy must be exhibited not only in feeling and conversation, as is the capitalistic method, but particularly in active co-operation. Machines and systems of accounting may be bought or sold to do mechanical work but human beings cannot be dealt with or handled by the mere adoption of resolutions or issuing of commands. Personality, whether he be capitalistic or socialistic or communistic must touch personality beneficently.

Universal development of the individual, of all physical, mental and spiritual faculties, of all potentialities, proclivities, abilities and gifts of the working people must be the inner laws of the industries. But such a trend is not possible under the present industrial set-up where strong contrast is made between different kinds of labour—physical, mental, etc. The trend for the universal development of human worker in industry finds its most general expression in the process of overcoming this contrast between the different grades or classes of workers—wage-earners, clerks, officers and proprietors.

If such a contrast within the industry is abolished the industrial set-up can be raised to a cultural and human standard. The old capitalistic division of labour is expressed in the distinction between wage-earners, between clerks and officers, between senior officers and junior officers, between senior officers and proprietors. It is around these manifold contrasts and contradictions, in which are also expressed the antagonism and struggle of classes, that the whole history of class society revolves like the earth. The capitalistic industrial

Industries must ensure universal development of the individual.

Abolition of class contrasts and distinctions.

order raises and accentuates these class contrasts to their highest pitch because it is such a class contrast and vicious division of labour which engenders private property and class distinctions upon which the dehumanised capitalism thrives. Such a division of labour enslaves and cripples not only the labouring folks but indirectly the whole intelligentsia. Even the officers, junior and senior, the intelligentsia are indirectly enslaved "by the manifold local limitations and one-sidedness, by their own physical and mental shortsightedness.....their stunted specialised education and the fact that they are chained for life to this specialised activity itself—even this specialised activity is merely to do nothing."¹ At a conference of railway workers held on July 30, 1935, J. V. Stalin said that "there were no big or small posts and people in our Soviet transport system, that they were all great, without distinction, from switchman to peoples' commissar."²

Humanised industrial set-up cannot be carried on by the narrow specialisation which turns the worker into a mere appendage of the machine. The talents of the workers must be so developed that he gets proficiency in more than one job, so that he instead of becoming a mere appendage of the machine becomes a skilled craftsman, organiser, technician and engineer supervising the machines instead of working with machines like machines. Machineries are utilised not to enslave the workers but to increase the productivity of the workers, to render works easier, to cut down the necessary working time and lengthen the leisure for mental work, education and developments of other traits of life and individuality. It is admitted that in industry workers have to be specialists, proficient in some branch of science or technology but this does not mean that they should be made to shut themselves up in their narrow specialities. On the contrary industrial administration has got to be so changed that a specialist combines the profound study of the particular speciality with the study of his principles of humanity, with the study of the science of the laws of the development of society. In other words he should

Abolition of
narrow
specialisation.

Necessity of
socially-minded
specialists.

¹ Engels.

² M. D. Kammari—Socialism and Individual.

be a socially-minded specialist—a specialist of a new type. Only such specialists and industrial organisations can successfully advance science and technology, administer production for the human beings, freely orient themselves as to the conditions for the development of social and human production and understand the needs of human and social development. It is a historical task to raise the industrial working conditions to such a cultural and human standard; and the accomplishment of this task is one of the most important premises for the humanisation of industries.

It is a characteristic trait of the modern industrial order that the lower employees have no direct access to higher authorities and that many of the changes in the conditions of industrial workings are introduced with the least soliciting and knowing the opinions of the employees and workers who have to work under it. This gives rise to many of the industrial disputes and difficulties. When changes in industrial working conditions, either arising out of particular circumstances or due to the installation of a new machine, are brought about without knowing or previously discussing and consulting the human workers directly affected by the change, the industrial administration becomes regardless of human consideration and therefore becomes jerky and haphazard and in such conditions trouble is bound to come. When even a lifeless motor car or an animal horse rebels against sudden and jerky driving man is a man after all. Human material is remarkably plastic and it cannot be held for some-time in one condition and then be forced abruptly into another. If it is done, as in modern industrial set-up, it is inhuman and the “discipline and order for working are of the theirs-but-to-do or die” type and is revolting to the human conscience. It is a human logic that the workers are explained the why’s and therefore’s of their works and the new change is discussed with them when occasion arises. Supposing for example that a new high-speed machine of an entirely new type is to be installed, the charge hands ought to be called into discussion and the problem is put before them and their operatives. The aims of the industrial administration in introducing the new machine and what it was proposed to do and why of the introduction are to be explained. The operatives, then, are to be asked to

The humanised principle of consultation and explanation.

think the matter over and give their suggestion. When they bring their suggestion the whole thing is to be debated and discussed with them and then finally the administration should fully explain why some of their suggestion are accepted and others not, if it be that case, so that they could not feel neglected and have their minds prepared for the work. This would be an act of co-operation and consultation with the human hands. What is more than these it would mean a respect for the human feelings involved in the industrial works. "This approach and co operation with the factory workers tends to cultivate in them a thinking attitude towards their work. They realise that they have some say in the choice of machines, the plan, and layout of the factory, the methods of doing the work, and so on."¹ This would, in the ultimate analysis, mean relying on reason dictated by an approach towards humanity by human beings.

Such a humanisation of industries would ultimately ensure a careful study of the merits and demerits, of all the industrial personnel of each one individually, in order to determine in what position and work the faculties of a worker would most readily develop the want of a consumer can be most suitably met so that every act of industrial production, distribution and consumption would be most useful for the humanity, the society. Industries employ workers and deliver goods to the consumers ; in other words they support workers and nourish consumers and therefore involve the well-being and welfare of human lives. Industry must, therefore, foster the human personality, it includes or affects, with great solicitude, like that of a gardener raising flowers in a manner that no human flowers - whether they be workers or the consumers — are made to stagnate in their old posts and grow stale" by dehumanised conditions of work or treatment or dehumanised nature of the industrial goods. Industries would then be brought to a humanised industrial set-up and would then be a source of maximum encouragement and assistance to the development of initiative, and human faculties and would thus be against reaction, inertia and stagnation of every description, and against all adherence to hidebound callous routine and random, cruel production of destructive and adulterated goods for human consumption. Industry without humanity is a crime ; industry based on humanity is a shrine.

¹ How to handle your personnel problems to-day, p. 19 (Gramol Publications Ltd.)

CHAPTER VI

INDUSTRIAL CONTROL

The whole industrial world has reached the Great Divide—whether capital should continue commanding and controlling the productive processes, as it has been doing ages long, or labour should replace capital in this great privilege; that is the question that has been sharply posed and presented in to-day's industrial history and has denied solution so far. The acuteness of the employer-employee and producer-consumer relationships with all their attendant evils is being whetted every day and results in the serious diminution of national production, wastage, suffering and strife—all leading to the shrinkage of social welfare and the loss of national income. Socialisation of everything is the general cry of the socialists and they demand not only the socialisation of the government of the country but the socialisation of the government of the industry as well. But then the question is—can socialist collectivisation be a remedy or the present capitalist command be continued or something other than the two should be better applied? This is one of the vexed controversies of the industrial world that surrounds the economic thought of the day.

It has been our past experience that the capitalist method of industrial production and organisation has resulted in the productive utilisation of the material wealth of the country, it has increased the supply of capital and has stimulated the growth of industries. It is also said that the capitalistic system of "Modern industry is in a sense the most catholic of churches, where, provided he observes the ordinary decencies of life, each may worship as he pleases without fear of prosecution for heresy..."¹ Such an order of industrial government, it is said, is existing on natural order where every one is left to himself and is free to act according to his own interests; it supposes, therefore, liberty and free will. "It is the distinctive feature and signal merit of that system that under it the multitudi-

The two sides of capitalistic form of production.

¹Robertson—Control of Industry.

nous economic activities of the world are, so to speak, democratized. They govern themselves with all the liberty and elasticity and variety of freedom".¹

But with all these to the credit of the present capitalistic industrial system the world has witnessed tragically that such a system of production and distribution has resulted in the separation or cleavage of society into two super-imposed layers, the one growing more and more numerous but poorer and poorer every day; the other, quite diametrically opposed, more and more wealthy but less and less numerous. There is a two-sided grievance against the modern method of business and industry—the one by the workers and the other by the consumers. All are agreed that the existing industrial order is an evil in the sense that it confers on a small number of parasites the power of exploiting the whole mass of workers and the consumers—constituting the whole community. Even if admitting that the present industrial order is the result of natural laws, it does not necessarily mean that it is the best for the society. "The spider's web is an entirely natural fact; but this knowledge brings little consolation to the fly that is struggling in it".² The present system of industrial production is full of spider's webs and this realisation of the fact has made the whole mass of workers and consumers "class conscious". This growing 'class consciousness' has awakened the proletarians of their proper position in the economic structure who are ready now to bring along a strong broom to wipe out the anti-social webs of the industrial spiders. The upshot of this whole affair of cross-currents is the resultant increasing violent opposition of interests between the different sections.

Nationalisation of industries has been advocated and even attempted as a possible remedy for this evil and many countries of the world are on a way to nationalisation. It is Remedies applied and advocated. said that by transforming everything now falling within the scope of private enterprise into public services the anti-social webs will be washed out and State being the

¹Salter—Allied Shipping Control.

²Row—Gide's Principles of Political Economy.

father of the whole family of society will generally use its freedom reasonably enough and will rarely disappoint the Nationalisation.

just and rightful hopes of its heirs—the different classes of society. The prescription is quite plausible and to a great extent soothes the patient too ; but on ultimate analysis it has been found that nationalisation of industries is a policy which is expedient not for all times and in all industries but at certain times, in certain places, and to some extent. Extreme nationalisation is bound to destroy two powerful factors in any economic enterprise—personal incentive and the hope of personal gain. Any system that seeks to abolish them altogether is sure to make us live an anaemic economic life. Besides, what the changing conditions of the society and its circumstances need is not nationalisation in the sense of simple state-ownership. Though it is usually said—sometimes even in books—that to “Socialise” means and includes simply the placing of industries in the hands of the State but the fact exactly is not such as is presented. Socialisation of industries does not simply mean state ownership and management but what is more important in it is that every enterprise is to be conducted solely in the public interest and without any thought of profit, at the cost of the workers and the consumers, so that a welfare state may grow up during the coming years.

But on a deep probing into the nationalisation medicine as a cure for the social ills it appears that the taking over of industries

The pros and cons of nationalisation as a measure of industrial control. by state or collectivisation, as it may be called, does not solve the problem either of the consumers or the workers. The directing body in a nationalised industry is drawn from or is under constant political

threat of the legislature—and which is so very natural to think under the present system of administration where administrative machinery is interfered with by non-official political folk in power—thus the whole industry will suffer from the lack of proper business practice. Even if supposing that the directing body will be composed of purely business experts in Government Service, in that case also it is bound to suffer from an unwholesome fear of offending certain sections of the political party in power. Thirdly, if the management of the industry is vested in a Government Department its whole

organisation, personnel and procedure, its mechanism for the control of income and expenditure, appointment and dismissal etc. will be characterised with the same corruption, red-tapism and theoretical fling works as in the conduct of governmental administration. Besides, in a nationalised public enterprise the risks of loss is ultimately borne by the mass of tax-payers of the country while the control is vested in the hands of the governmental employees. Thus like the democratically owned and managed Joint-stock company, it is quite reasonable to believe that the danger resulting from the divorce of control from the shouldering of ultimate risks will lead the controlling body to be little rigorous in the avoidance of wastes and more reluctant to adopt any useful policy which would appear to be rash in the sense of being a breach with the old traditions. The controlling body of a nationalised industry, therefore, will not be a body of restless constructive force and will, therefore, follow a timid course of action than what is required in the vigorous field of business. Over and above, all these, the psychological as well as moral incentive arising out of a personal touch between those who work and those who get work is as much absolutely lacking even in state managed industries as in any other capitalistic organisation. It is scarcely reasonable to expect that the worker of a state-owned industry feels any intense devotion towards the abstract entity of state whom he does not know or understand and whom, under the present circumstances, he very rightly supposes to be profoundly ignorant or callous of the problems affecting his life and labour. Moreover, Government management of industries does not only maintain the distributive system through a host of middlemen but is apt to bring about jobbery, corruption and favouritism in the distribution of goods—particularly in the days and areas of scarcity. The average consumer is, therefore, prone to suspect that the price of goods will be unnecessarily loaded with extra-payments to a host of superfluous middlemen and also because of the jobbery and corruption of the administrative mechanism and his interest, as such, is in danger. In all circumstances therefore, there is bound to be an impairment of the interests of the workers and the consumers and the industrial problem would remain unsolved for all practical purposes, even under collectivisation as under capitalism.

As a measure of social reorganisation in industry the early French and English socialists laid great stress on productive co-operation in industry and during the great social upheaval of 1917-20 this scheme of workers' control assumed a very imposing form of business on industrial organisation. We have known and read of the various workers' societies in various forms in various countries. "It is the workers' qua worker who must rule" the industry is the cry of the socialists in the workers' colony and corner. The idea of such a control is to be traced back to the theory of syndicalism according to which the association of workman in each trade should take over the control of the means of production. Their industrial philosophy is that there should be factories owned by, managed by and run for the benefits of the workers who work in them. It is as a matter of fact a caricature of the governmental democracy which is said to be a rule of the people, by the people and for the people. This system of workers' control, whether it be called industrial co-operation or productive co-operation or syndicalism, is a workman's socialism and is derived from Marxism.

Workers' control
—another method
of industrial
control.

By means of the strike weapon and even of sabotage, if and when necessary, advocates of this social democracy, as the Germans used to name this system of control, aim to eliminate the employer who ultimately finding that business does not bring him anything but loss and trouble will abdicate in favour of the workers. The game will be won, the class conflict will cease and there will ensue a period of production and distribution based on social reorganisation and social democracy in business and industry—that is all what the socialists say.

But such a democracy cannot cure the industrial ills; firstly because control solely by the workers will lead ultimately to an industrial absolutism and autocracy of the workers and the interests of the vast number of consumers will be grossly neglected. The omnipotence of labour, according to the above theory of workers' control, in the productive field has been vigorously asserted by the fact that value of anything is the amount of labour extended in it. Though the explanation of this theory about the omnipotence of

The pros and
cons of a workers'
control.

labour is quite plausible and even heightens the sentiments of all for the right of workers to control industry, things are not exactly the same as they have been posed and presented to appear. There are innumerable things of great importance for life and labour which have value of their own without having cost any whit of labour. Secondly, if the value of a thing is the amount of labour expended in it, in that case the value of everything is absolutely unchangeable,

Fallacy of Karl
Marx.

whereas, value in actual life is quite otherwise—value changes rapidly, suddenly and fitfully within a day or even within minutes. Even if accepting Karl

Marx's interpretation that what makes value is not the past labour extended in it but the "social labour" or the labour of reproducing the same goods in the present circumstances the position remains, nonetheless, unexplained. This average social labour of Karl Marx changes but slowly with the progress of industry and does not, therefore, explain the revolutionary changes in value. With the laws of demand and supply revolving round the man's limitless and ever changing desire we find the curious phenomenon that value appears from and disappears in complete darkness. Things which have had value in the past have it no longer even if the "Social Labour" of Karl Marx is expended in their reproduction. The Theory of Workers' Control or industrial co-operation, as it is also sometimes wrongly termed, is, therefore, founded on incorrect or at least incomplete assumptions. We deny that working class is everything and any other class nothing. What about the consumers? The consumers' welfare, life and

The case of
consumers in
industries.

interest are no less at stake in industry than those of the workers. It can even be said to the extent, and without any fear of contradiction, that consumers' stake in industry is even greater than those of the workers. Who remembers now that the last words of Bastiat on his death-bed was the great truth about consumers that "we must learn to look at everything from the point of view of the consumers!" It is the solemn duty of the producers, workers as well as the Government to be faithful to that great truth uttered by the great classical political economist. It is quite within the powers of the consumers, by changing their desire and the character of their expenditure, to divert land, labour, capital, organisation and enterprise—the factors of production

—from where they are employed now to any other branch of production they please. This is how the consumers ultimately command the

Consumer is the king. factors of production. Consumer is the king in the economic realm both for the producers and the

workers ; and they can have their respective profits and wages regulated and increasing only if the consumers are best served. Alas ! that this pleasant picture is not borne out by facts. No doubt satisfying the consumers—the customers—is the surest way for producers and workers of increasing their numbers and, therefore, their corresponding profit and wages respectively. But the indignant genius of the producers have led them to believe that they can manage to increase their profits more by raising prices and selling adulterated goods instead of by bothering about satisfying the consumers and increasing their numbers ; whereas, the workers have found it out better to raise the slogan 'industry for the workers' than to care about the service of any body else. It is notorious that in recent years and in every country the raising of prices and the adulteration of goods by producers and a movement by the workers for the

Negligence of worker's movement towards consumers. workers' control of industry have assumed disquieting proportions. Flooding, more light towards the workers' realisation of consumers' interest in industry we find that throughout the industrial history and

labour movement the workers have expended all their time in thinking about minimum wages, workers' welfare schemes, social security, labour legislations, minimum hours of work, profit-sharing, control or joint-control of industry with producers, bonus and benefits of a thousand and one kind. Have they even paid any attention to the consumers' grievances against the industrial system ? Have the workers ever gone on strike because the consumers are not able to buy what they want to buy under the present methods of production ? Have the workers ever launched a struggle in sympathy with the consumers' protest that the supply of goods, which they buy, is curtailed and their prices raised artificially ? The workers have nothing all these to their credit. The history of workers' movement all over the globe is simply replete with instances of struggle for their own interest, betterment, strength and even fancies. They have callously ignored the likes and dislikes of the consumers'

class and there are cases when they have launched their struggle not only at the cost of the producers but at a far greater cost of the consumers. Despite extenuating and sentimental slogans their (workers') tactics are ambitious for their own selves and for no other, at least in their minds. The whole history of their

Workers movement is unattached with consumers' interests and unattached with their unrelated behaviour with consumers can hardly consumers. conceivably be explained in terms of the general

welfare of the masses. The consumers' world becoming aware of the protean manoeuvrings of workers' movement distrusts their explanations so facile. For the consumers, therefore, the workers are suspects and consumers' interest cannot be safe in any system of industrial or business management in which labour is on the saddle.

No doubt the consumers have some safeguards in professional spirit and commercial honour ; but these are based more on moral principles than on economic grounds— and who does not know that morality during the present days is only considered to be too costly

Defence of consumers' interests in industries.

a luxury to be followed. The strength and position of the consumers have, thus, remained uptill now a purely theoretical one and they have simply been made to play the idle part of a sluggard and a mere client. But consumers have now come to understand the cunning tactics of the workers, producers as well as the state and they are no longer willing to play the part of a sluggard or a client in the humiliating traditional sense of the terms. In the general interests of the society at large—which largely consists of the consumers—it is very necessary now to put up an energetic and strong defence of the consumers' interests in business and industry—which is closely bound up with the gradual growth of a welfare state.

The case for a consumers' control of industry is thus better established than the claim of the workers for such a control. Though the consumer is the king and the direction of industries by the consumers would be

Consumer—a democratic king.

best, both for the society as well as the individual workers and the capitalists, yet the consumers would not want to establish their own rule regardless of others. Nationalisation wipes out private initiative and incentive,—which has rendered great service to the community

in the past howsoever parasitical they may be now, workers' control disregards all and wants to—establish an autoocracy of the workers, while a full and free play of the private enterprisers have cost labour and consumers greatly. The consumer representing the society and being the democratic king realises that his kingship involves great responsibilities to the society and, therefore, he is prone to give just treatment and importance to all sections of the society—labour, capital, organisation, enterprise and even to the highest development of society—the state. In an industry or business all the different sections of the society have their due interest and the industrial world cannot be at peace if undue importance is likely to be attached to any of them neglecting the rest. The industrial carpet can only gain in beauty and strength if the different strands are closely co-ordinated in a manner that gives colour to all the different fabrics. In the wide industrial system, therefore,

Recognition of
different social
and economic
groups.

there should be a frank and open recognition of the basic fact that society, which has the greatest interest in industry, consists of different economic and social groups—Labour, Capital, consumers,

organisers and even the state. And so long as this condition of society lasts in a country, every government or control of industry must express the relative importance and interests of these different groups; only then the control of industry can be called truly democratic. As a matter of fact industry can give maximum advantage to the people only if management, which is the hub of industry, is democratic. In the welter, cry, confusion and chaos of industrial disputes the greatest problem facing all industrial countries is to secure a rapid improvement in the whole art and technique of industrial management; in other words, to achieve better government of the great world of industry. Only a democratic control of industry can open the door to economic and social justice for all classes of community—the prerequisite of a healthier and more stable industrial order. The principles of Political Democracy which have withstood all tests have got to be translated now to the economic and industrial sphere. This is the common task facing all countries and its complete fulfilment would be the biggest single step that can be taken along the path leading to a peaceful and happy industrial world and order.

The Government of industry cannot be safe, satisfactory and surviving if either labour or capital or consumer or the state itself wants to have the whole controlling power in its own hands. Complete nationalisation of industries overestimates the importance of state and underestimates the significance of other different groups of the society. Likewise the theory of workers' control pushes labour at the top and neglects the remaining factors. Both nationalisation or workers' control as a cure for the industrial ills suffer from the defect that they are measures of control having a whip of external compulsion for regulating the code and conduct of the industrial world. And there is, thus, a dictatorial tinge in their methods and purpose and such a management, for the purpose of ensuring industrial peace, therefore, cannot ultimately succeed. For a peaceful industrial world it is very necessary that the management and control of industry should be characterised "not by the whip of external compulsion but by the engendering of an inner urge and willingness on the part of others to do it".¹ Every element in industry has its own importance and it is very difficult to underestimate either labour or capital or the highest

Industrial system
not so much a
system of
causation as a
system of
mutual economic
determination.

organ of the society—the state. The industrial or business system is not so much a system of causation as a system of mutual economic determination. Since the industrial system has within itself the various organs and interests—capital, labour, consumers and the state—the position of one would be

very much determined in part by the behaviour shown by three others and by certain things belonging to the industrial system as a whole. In order that the industrial system should carry on smoothly for the larger interests of the society it is necessary that all these four important elements of industry should work together on a definite position of equilibrium; and the control resulting from such a position of equilibrium would naturally engender an inner urge and willingness which, according to the great American philosopher, Late Mary Follett, is very necessary for a democratic process and principle of management.

Man possesses the heaven-given power of co-operation; and a co-operative spirit is the dynamic force that can yield magnificent

¹. Mary Follett—about the democratic process of govt.

results. Industry which involves and embodies the interests of different groups of society must at all times be inspired, motivated guided and controlled by the consideration of the intrinsic worth of all such group personalities. Whatever may be the technical and economic advantages of any system of management but unless such a management is vitalised by the co-operative touch of the different groups involved the system cannot be accepted to be satisfactory. A system of industrial management which does not truly reflect the co-operative spirit of the group personalities of the society is not the executive expression of the community and, therefore, cannot produce optimum results. The future of our industrial world does not so much depend on the scientific inventions and improvements and the wonderful mechanism flowing from it as on a fuller growth of the co-operative spirit—the spiritual flame of social conscience. Applying these basic principles to the subject of industrial control it should be asserted that the controlling power of an industry, therefore,

should be vested in a Co-operative Board or Chamber consisting of the representatives of the associations of workers, associations of the capital, associations of consumers of the commodity and a bonafide representative of the state. A system of industrial management controlled and guided by all the different group personalities, whose interests are involved in

control by a Co-operative Board or chamber consisting of labour, capital, consumer and the state.

the industry, would be a happy and surest cure for the industrial malady that is prevailing to-day all over the world. Labour and capital have already advanced in a system of their organisation and they have an elaborate system of associations. But the association of labour needs some purification for its successful working in such a co-operative Industrial Board of control. Under the present system of workers' organisation leadership is in the hands of those who do not belong to the working class and, therefore, they (be it I. N. T. U. C. or I. T. U. C.) import into the workers' association the objective of the social, economic or political philosophy they profess. The objective of the workers' union should be more internal than external. In order that the workers' organisation should work on the principle of mutual determination it is necessary that they should be democratic in spirit, organisation and education working under the leadership of their own

class—of a person who is himself working along with others. Coming to consumers' association, for the sake of representation in the Board for Industrial control, it may be said that people may view with scepticism and doubts about the feasibility of there being a consumers' association at all. Though it is true that consumption does not create among the consumers the same community of interests, the same constructive concentration of efforts as does the exercise of professional functions; but recently 'class consciousness' has also awakened them and history furnishes various instances of consumers' association in various forms at various times and in various countries. Leagues and associations formed to combat high prices, consumers' associations organised for the defence against adulteration of goods, and also to look after the interests of the consumers in public services like the Railways and Telephone were formed at one time. Those who doubt about the strength or stability of consumers organisation should know that of late years the consumers have even resorted to the strike weapon—known rather by the name of boycott; and this has proved as effective in their hands as in that of the working class. The strike of consumers against the Meat Trust in U. S. A., the strike of gas consumers against the Gas companies in France and the strike of beer-drinkers against the brewers in Germany are there in history to illustrate the capacity and consciousness of the consumers to organise and protect their interests. There is thus no difficulty about the formation of consumers' association for the purpose of being on the Board of control for the industries.

Now, proceeding on the scheme of a representative and Co-operative Board for Industrial control it is advocated that all these associations of Labour, capital and consumers should be heirarchical—the local

A practical scheme associations, regional associations, provincial and then central associations of all these groups of interests. The whole system would be built up from

local and regional upwards by means of indirect elections. Thus the local associations would elect regional association, the latter the provincial which in its turn would send up representatives to the central association, the number of representative to be sent to all such organisations, depending upon the number of members of

the associations. These various elected associations of labour, capital and consumers would in their turn elect their respective representatives to the chamber or Board which would ultimately direct and control the industry in each locality. This Board or chamber for the control of industry would have the strength of five consisting of one elected representative each of the elected associations of labour and capital, two elected representatives of the elected association of consumers in that locality and a representative of the Government. The representative of the government in each case must necessarily be a business expert of the government and so should also be the representative of the workers and the consumer. The representatives of the workers and consumers cannot, of course, necessarily be experts in business practice but effort should be made to elect such persons as have some knowledge of the industrial system and business technique so that the Board may work efficiently. Besides, these local or regional boards the elected representatives of the central associations of the various organs of labour, capital and consumers will compose a Central Board of Control having on it also a representative of the central Government. As in case of other regional Boards this Central Board would also consist of one representative each from the central associations of Labour and Capital, two from the central consumers' association and a representative of the central government—having therefore the same total strength of five. This Central Board of Control will be chief executive organ, for the control of industry in a country, at the apex of the various Boards of Control in the various regions and localities. This Central Board would be responsible for formulating all national industrial policy as a whole and would make recommendations to the Government about the enactment or repeal of the various necessary industrial, labour and commercial legislations required from time to time and would also determine the minimum wages in each industry, rates of interest on capital supplied to industry, rates of dividend on the shares subscribed, ceiling and minimum prices of goods produced, their quality, standard and kind, factory and working conditions, working hours, labour welfare facilities in each industry and over and above would decide matters relating to investments and also any dispute referred to it by the Boards below it.

The various Boards of Control including the central would be the custodians of the economic and moral interests of the consumers,

labour and capital—the whole community—so far as they are affected by industrial activities and, therefore, the various Boards of control would be charged with great responsibilities of various kinds.

These responsibilities of the Boards can be divided into four clear cut divisions and in all their actions the Boards would be guided by them. These four-fold responsibilities of the Boards would be :—

(1) *Safeguarding the Public interest* :—They have to see that no member of the public is cheated due to over valuation of the actual capital at the time the shares are issued as well as to point out to the public of any such fact happening and should also deter the establishment of bubble undertakings trapping credulous and over enthusiastic subscribers. It will be the duty and responsibility of the Boards to prevent the production or distribution of harmful, adulterated, immoral and economically wasteful and destructive goods. They will also regulate the productive flow in harmony with the demand and would, therefore, keep the demand and supply at the point of equilibrium and would thus maintain prices at a reasonable level. The Boards at all times would plan production and distribution of goods and commodities needed by the community in such a way that the highest quality of production at the right time is combined with the lowest price and would also strive at all times to maintain a proper and just balance between the three money factors, wage-level, price-level and dividend level to give maximum service to the whole community.

(2) *Safeguarding the interests of the workers* :—The Boards of Control would guarantee all necessary healthy standards of work and living, adequate wages and bonus on the basis of profit and dividend earned, welfare facilities and rest hours etc. It would be the duty of the Boards to strive to maintain full employment for all those able to work and wages commensurate with optimum productivity. This will mean simplifying and transforming the whole present wage structure to make it conform more fully to the principles of truth, justice and fairness. So far as the workers are concerned it will be another duty and responsibility of the Boards to improve

the work medium so that each individual worker in the industry may have a fuller opportunity to express his power of service in useful and satisfactory works. Besides, the Boards would aim at putting a stop to all such productions as are expected to impose unnecessary burdens upon labour e.g. urgent and larger orders necessitating night works, or production or distribution of goods and their deliveries on Sunday and holidays, or asking labour to handle physically heavy loads, etc. etc.

(3) *Safeguarding the investors* :—It will be a responsibility of the Boards as a whole to ensure that the various share-holders and debenture-holders are safe and get a reasonable return on what they have invested or credited. In this connection the Boards would decide and declare the maximum rate from dividend and interest beyond which the investors will not be entitled to irrespective of the amount of profit in the industry.

(4) *Safeguarding the state* :—The object of the Boards in this connection would be to be ever watchful least any political opportunist may not attempt to disrupt the Government of the country by misleading the industrial elements. The other aim in this direction would be at preventing foreign capitalists from getting a firm hand in the national economy of the country and thereby laying big hands on national incomes. It will also be a responsibility of the Boards to speed up production in times of national emergency or calamity facing the country and the state.

It will be the duty of every member of the Boards to see that the Boards as a whole are guided at all points of works by these four-fold responsibilities which are more or less of the nature of basic principles for their conduct and control of the industries. Such a working of the Boards of control on these four-fold principle of duties and responsibilities would ultimately result in elevating the standard of living of the mass of the people by providing better goods, better and more stable employment, and better conditions of prices and profits which will, as a whole, increase the productive efficiency again. What is more in it is that such a system of control and regulation will not only lead to an improved standard of material well-being—which is not enough—but will be accompanied by spiritual progress amongst all the different sections of the

society of our economy—labour, capital and the consumer—leading in its turn to a better and happier human understanding reflected in a finer spirit of co-operation and neighbourliness. It is hoped that the industrial system working on such a line would be able to provide and cater optimum public service.

The whole scheme is based on the principle of mutual determination for the general equilibrium of interests and the theory of Solidarism of the French Economists which found great

Principle of
mutual
determination—
Basis of the
scheme.

administration from Vinet, the protestant theologian of Lausanne. There might be misgivings about the logic of mutual determination, which says that the position of one factor is largely determined by the

position of other factors, and some may doubt as to how the various organs of industry can come to an equilibrium point of their different interests by means of mutual determination. But as a matter of fact the solution is clear; for given the circumstances belonging to a particular industrial system as a whole and the schedules and functions which show how the position of each organ of the industry is related to the position of the other three, we can find out the equilibrium or proper position of all the four—labour, capital consumer and the state. An interesting analogy in this respect may be drawn from the mechanical illustration of four balls in a bowl. The equilibrium or proper position of anyone ball depends first on the shape of the bowl and its own shape and size and secondly, on the shape and size of the other three balls in the bowl. If this mechanical analogy is not enough to support the harmony or equilibrium position of each organ of the industry there is the natural

The law of
solidarism.

law of solidarism or mutual interdependence of mankind to support the rough outline of the system of industrial control. Solidarism or mutual determina-

tion and interdependence of the mankind has so clearly been demonstrated by the economic facts of division of labour and of exchange. Though for the success of the whole theory of solidarism it is necessary that solidarism should become a rule of conduct in every society—a moral duty for every class, a legal obligation having a legal sanction. This is because the work of one reacts for good or for evil upon others and of others upon him. The mutual

risk and responsibility, therefore, are enormous and as such the industrial house, which has so long remained a house of mutual strife, should be transformed into a mutual aid industrial co-operatism based on the honest recognition by all of each other's position and privilege. In this system of industrial co-operatism, as it may be called, every organ of the industry—labour, capital, consumers and state—will have to assume his share of other organ's burdens and also to take his share of other organ's profit. This system of industrial co-operatism certainly differs from socialism in maintaining the existing order of economic society—private institutions, private initiative and enterprise, interest and profit and their accompanying effects of inequality—but at the same time it minimises these inequa-

Minimises the inequality.

lities by putting a check on dividend and interest beyond a certain reasonable point and by building together the strength and weakness of the different strands

of society. Such a system of industrial control also recognises the superiority of state in a national set-up and allows for state intervention with labour legislations, dividend and interest control laws, sanitary laws and laws concerning adulteration to prevent the degradation and exploitation of the masses.

The great merit of the system of control is in its giving a frank recognition to the fact that society consists of different classes and

Merit of the system.

then brings them together with a harmonious blending to raise the economic beauty of society and make its moral fibre stronger.

Though this system of industrial co-operatism does not abolish private ownership but it certainly makes it sober, sensible and for all. It is admitted that it does not abolish property or capital but certainly aims at depriving it of its dictatorship in industry. It is not only socialistic but revolutionary too in the sense that this system makes capital a wage-earner, aims at economic emancipation of all classes of persons and their liberation from being exploited and thereby transforms the whole industrial picture. Like the socialists in general it does not look at industry from the point of view of the capital and, therefore, agrees with socialists but at the same time it differs from them in not looking at industry wholly from the point of view of the workers only and comes very near

to the great and universal law of moral and social justice in industry based on the motto of Honest Trade and aiming thereby to inaugurate the reign of mutual co-operation, truth, honesty and standard in industrial relations. It thus enriches and reorientates the whole conception of industrial civilisation which has so long been prone to overvalue and over-emphasise only one element of the economic society—either labour or capital—and suppresses the appreciation of the intangible—the standard, values and a co-operative mutual relationship, all of which is first in life. This system of industrial co-operatism, therefore, emphasises that “the quality of a civilisation does not depend only on its science, economics and sociology, but even more on its standard, values, ideal, its sense of what is first rate in life.....”.¹ Industrial co-operatism embodies a moral revolution along with that of the industrial.

¹ Sir Richard Livingstone.

